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**Winter in the Baltics**

*Why cold water means political hot water*

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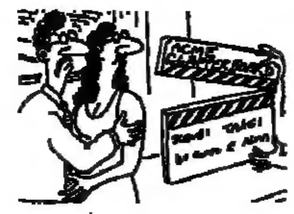

**Brazilian soap operas**

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# FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY NOVEMBER 19 1992 — D8523A

## Major accused of misleading MPs over arms ban

UK opposition leaders joined forces to accuse prime minister John Major of misleading parliament in his statements about government guidelines covering the sale of arms-related equipment to Iraq.

Labour leader John Smith and Liberal Democrat leader Paddy Ashdown released open letters pointing to inconsistencies in Mr Major's position as Labour announced it was calling a Commons debate on the arms-to-Iraq affair on Monday. Page 7

**Paris attacks Gatt talks:** France denounced the deal which the EC is expected to conclude with the US in a longstanding row over oilseed subsidies as US and EC trade negotiators made a last-ditch push for a pact. Page 16; Gatt deal, Page 5

**Recovery hopes rise:** A slight rise in UK retail sales volumes in October triggered some optimism that Britain may be moving slowly out of its two-year recession. Recovery hopes were buoyed by interest rate cuts in Belgium and the Netherlands. Page 16 and Lex; London stocks, Page 27

**US deficit narrows:** The US trade deficit narrowed in September to $8.3bn as exports jumped 5.5 per cent on August's level, the Commerce Department reported. Imports also rose as personal spending recovered. Page 4

**Japan budget warning:** Two of Japan's most powerful economic policymakers warned political leaders that they risked seriously damaging fragile business confidence by delaying a special budget to boost the economy. Page 16

**Reactor pull-out:** The UK government is expected to pull out of the European Fast Reactor nuclear research programme, with the loss of up to 400 skilled jobs. Page 17

**Fighter contract:** Taiwan has obtained agreement from France to buy 60 Mirage 2000-5 jet fighters for $2.6bn, according to reports from Taipei, in a move that is likely to spark a row between Beijing and Paris. Page 6

**Roh abducts brother-in-law:**

South Korea's presidential election took a bizarre turn after President Roh Tae-woo allegedly ordered his MP brother-in-law Kim Bok-dong to be "abducted" to prevent him from joining an opposition party. The affair is the latest intervention by the president to keep the ruling Democratic Liberal party from splitting a month before the election. Page 6

**Vukovar celebrations:** Serb leaders celebrated the first anniversary of the capture of Vukovar in east Croatia when their fighters routed Croat forces after a three-month battle in which 3,000 people died. Page 3

**Currency warning:** The Bundesbank president warned that plans for a single EC currency should not be weakened by allowing states to proceed with monetary union when they have not met the strict economic criteria required. Page 2

**BT share-sale plan:** The UK government said it would sell another tranche of its 22 per cent holding in British Telecommunications in the next financial year. The stake is worth £5.4bn. Page 17; Lex, Page 16

**Ukraine opts for reforms:** The Ukrainian prime minister Leonid Kuchma told parliament the country's economic crisis was so acute that there was no alternative but to adopt an ambitious reform programme. Page 3

**Sandvik,** the Swedish speciality steel and carbide group, reported a 21 per cent decline in profits to SKr1.17bn ($195.5m) for first nine months after sales at its steel division tumbled. Page 17

**Hewlett-Packard,** the US computer and electronics maker, disappointed Wall Street with a 46 per cent drop in fourth-quarter earnings, after restructuring charges. Page 17

**Mercedes-Benz,** the German carmaker, acquired a 5 per cent stake in Ssangyong Motor, South Korea's fifth biggest vehicle producer in a move to strengthen its presence in Asia to counter regional competition from Japan. Page 20

**Commercial Union,** the composite insurer, bounced back into the black for the nine months to end-September and said it was raising capital to pave the way for expansion. Page 17

| ■ STOCK MARKET INDICES | | |
|---|---|---|
| FT-SE 100 | 2,784 | (+24.8) |
| Yield | 4.46 | |
| FT-SE Eurotrack 100 | 1,051.35 | (-4.96) |
| FT-A All-Share | 1,282.84 | (+0.8%) |
| Nikkei | 16,776.84 | (+785.36) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3,211.16 | (+17.83) |
| S&P Composite | 422.74 | (+3.47) |
| **■ US LUNCHTIME RATES** | | |
| Federal Funds: | 2 7/8% | |
| 3-mo Treas Bills: Yld | 3.199% | |
| Long Bond | 101 1/8 | |
| Yield | 7.525% | |
| **■ LONDON MONEY** | | |
| 3-mo Interbank | 7 1/4% | (7 3/16) |
| Liffe long gilt future: | Dec 100 7/32 | (Dec 99 23/32) |
| **■ NORTH SEA OIL (Argus)** | | |
| Brent 15-day (Jan) | $19.075 | (19.175) |
| **■ Gold** | | |
| New York Comex (Dec) | $335.2 | (334.4) |
| London | $335 | (334.15) |

| ■ STERLING | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.523 | |
| London: | | |
| $ | 1.521 | (1.52) |
| DM | 2.43 | (same) |
| FFr | 8.1975 | (8.1825) |
| SFr | 2.215 | (2.2075) |
| Y | 189.25 | (same) |
| £ Index | 78.1 | (same) |
| **■ DOLLAR** | | |
| New York lunchtime: | | |
| DM | 1.59495 | |
| FFr | 5.3755 | |
| SFr | 1.4525 | |
| Y | 123.5 | |
| London: | | |
| DM | 1.5975 | (1.596) |
| FFr | 5.39 | (5.3825) |
| SFr | 1.456 | (1.453) |
| Y | 124.35 | (124.5) |
| $ Index | 65.2 | (65.5) |
| Tokyo close Y 124.22 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Greece | Dr250 | Lux | LFr60 | Qatar | QR12.00 |
| Bahrain | Din1.250 | Hungary | Ft162 | Malta | Lm0.50 | S.Arabia | SR11 |
| Belgium | BFr60 | Iceland | IKr180 | Morocco | MDh13 | Singapore | S$4.10 |
| Bulgaria | Lv25 | India | Rs20 | Neth | Fl 3.50 | Spain | Pta200 |
| Cyprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira30 | Sweden | SKr14 |
| Czech | Kcs35 | Israel | Shk5.50 | Norway | NKr15.00 | Switz | SFr3.00 |
| Denmark | DKr14 | Italy | L2500 | Oman | OR1.50 | Syria | SyP60.00 |
| Egypt | E£4.50 | Jordan | JD1.50 | Pakistan | Rs35 | Thailand | Bht60 |
| Finland | FM12 | Korea | Won 2500 | Philippines | Pso45 | Tunisia | Din1.250 |
| France | FFr8.50 | Kuwait | Fils 600 | Poland | Zl 22,000 | Turkey | L6000 |
| Germany | DM3.30 | Lebanon | US$1.25 | Portugal | Es180 | UAE | Dh10.00 |

# Brussels to ease steel cuts with $1.1bn aid

By Andrew Hill in Strasbourg

EUROPEAN Community steelmakers are to receive Ecu900m ($1.1bn) of EC funding between 1993 and 1995 as part of a special aid plan agreed yesterday by the European Commission. The aid will contribute to the cost of restructuring in the industry and help to ease decisions on capacity cuts.

The Commission has also pledged to clamp down on cheap imports from east and central European countries with which the EC has signed trade agreements. Mr Martin Bangemann, EC industry commissioner, said: "We are prepared to allow products produced in these countries on to our markets, but at the same time it has been clearly stated that fair conditions should be applied."

He said the EC would begin negotiations, particularly with Czechoslovakia and Poland, on possible "additional measures" to curb cheap imports and avoid the EC having to impose anti-dumping duties. Commission trade officials have suggested that east and central European governments might be asked to impose taxes on steel exports.

Half the Ecu900m funding in the aid plan should come from the resources of the European coal and steel treaty and EC structural funds.

Some Ecu240m will be allocated to the cost of shedding up to 50,000 steel jobs, and Ecu210m has been committed for plant closures and rationalisation. Under the treaty, the 12 EC member states must match that central contribution.

European steelmakers, hit by recession, overcapacity and cheap non-EC imports, asked the Commission a month ago for political, financial and commercial assistance in return for drastic capacity cuts. They estimated the overall cost of their plans at as much as Ecu4bn.

Mr Fernand Braun, the Luxembourger who used to head the Commission's industry directorate, has been asked to consult individual steel companies about capacity cuts and prepare a report. The aim is to avoid anti-competitive collaboration between steelmakers to cut capacity.

The Commission plan, together with the controversial short-term question of how to react to planned state aid for the Spanish steel sector, will be discussed at next Tuesday's meeting of EC industry ministers in Brussels.

**Anthony Robinson, East Europe Editor, writes:** Central European steel tube producers have reacted angrily to the Commission's decision to impose anti-dumping duties of up to 30.4 per cent on seamless tube imports from Czechoslovakia, Hungary, Poland and Croatia. Mr Vladimir Petr, director of the steel division of the Czech ministry of industry, contested the EC figures and argued that the case for dumping was "not proven".

Benazir Bhutto (left), Pakistan opposition leader, before her arrest yesterday during an anti-government protest march from Rawalpindi to the parliament building in Islamabad. Earlier, police attacked Ms Bhutto and her supporters with batons and teargas after they broke through barbed-wire barricades erected around her house Page 6

# Airlines to raise claims limits

By Robert Rice, Legal Correspondent, in London

JAPAN'S airlines are set to become the first in the world to remove the ceiling on compensation paid to victims of international air disasters.

In a move which could transform international agreements on airline liability for the death and injury of passengers, 10 Japanese airlines – led by Japan Air Lines – will on Friday abandon the compensation cap of about $140,000 adopted under the 1929 Warsaw Convention.

The scheme should significantly cut the delay in obtaining compensation for victims of air disasters by cutting out the need to litigate in most cases. Victims and their families will be able to negotiate settlements directly with airlines, which will take on responsibility for recovering money from aircraft and engine manufacturers where appropriate.

The JAL initiative follows 21 years of failed industry attempts to raise compensation limits governed by the convention and the 1966 Montreal Agreement, which sets a limit of $75,000 a passenger for flights to and from the US.

Warsaw Convention limits which range from $10,000 to nearly $140,000 are widely regarded as too low and an embarrassment to most airlines and their insurers in the event of a crash.

JAL was also under pressure to break the international compensation ceilings following average settlements believed to be in the region of $850,000 a passenger paid to the victims of the 1985 JAL Boeing 747 crash. Japan lifted the compensation ceiling on domestic flights in 1982.

Mr Peter Martin, an aviation lawyer with London solicitors Frere Cholmeley, which pioneered the special revised conditions of carriage for JAL, predicted yesterday that all major airlines would be forced to follow suit.

Once the JAL scheme became widely known, resentment among travellers not receiving the same compensation terms as passengers on Japanese airlines could build up, he said.

British Airways is believed to be working on a similar scheme under which the airline would waive limits on liability if the passenger or his family could prove airline negligence.

But aviation experts say the BA scheme is flawed and is unattractive to US passengers, the biggest sector of the market. In situations such as the Pan Am Lockerbie crash, they would rather sue aircraft manufacturers and engine makers in the US where damages awards are higher.

Mr Mervyn Walker, BA's general counsel, denied yesterday that the airline had firm plans to follow JAL's lead. "I'm sure others will follow suit, but we were reviewing our position before JAL announced its move and we will continue to do so. It may result in a change in our position and it may not," he said.

The biggest question surrounding the Japanese move, however, is the effect on insurance premiums. JAL approached the world insurance market with its proposal and was well received.

Japanese airlines concede, however, that they were able to bring in unlimited liability at an acceptable cost because the greatest part of their carriage is domestic. The cost of additional cover for international flights was not significant.

Decision born of embarrassment, Page 5

# Brussels plans growth initiative

By Lionel Barber in Brussels and David Buchan and William Dawkins in Paris

THE European Commission is close to unveiling a growth initiative built on closer monetary co-operation and a multi-billion dollar public works programme to break Europe's deflationary cycle.

Mr Jacques Delors, Commission president, is pushing the plan in order to revive confidence and avoid Europe's economic slowdown turning into a slump.

The Commission's plan is backed by France. In an interview with the Financial Times yesterday, Mr Michel Sapin, French finance minister, called for a growth initiative to be adopted at next month's EC summit in Edinburgh. Mr Sapin, who starts two days of talks in London today, will outline his ideas when he sees Mr Norman Lamont, the UK chancellor of the exchequer, tomorrow.

An EC-led stimulus package requiring pledges of new funds is likely to meet resistance from Germany, which is saddled with huge budget deficits because of the cost of unification. Bonn is expected to voice scepticism that a centralised Brussels-led infrastructure programme could conflict with the EC's idea of enhancing subsidiarity.

The UK, currently the EC president, also has reservations about the Delors plan, which was informally discussed before the special EC summit in Birmingham last month. A spokesman for Mr John Major, the prime minister, said yesterday that "no new work was going on" at intergovernmental level on a growth initiative. He said the EC should concentrate its efforts on securing a Gatt deal.

In Brussels, EC officials said the public investment programme could involve new European Investment Bank loans of around Ecu5bn ($6bn), backed by government guarantees and aimed at stimulating further private investment.

Another idea is to create an institution called the European Investment Fund to boost spending on roads, rail and communications. All EC governments would be asked to shift priorities from current to capital spending.

A senior EC official said the public works programme was only "one element" of a wider strategy aimed at persuading member states and the US to promote world growth.

For Mr Delors, the growth initiative is partly aimed as a springboard to a political comeback after recent setbacks. Mr Delors also wants the Community to show it can respond collectively to economic crisis, and not let member states such as the UK pursue solo plans for growth.

# Générale des Eaux blocks construction group merger

By William Dawkins in Paris

A RARE BATTLE among shareholders broke out in the French building industry yesterday when Compagnie Générale des Eaux, the water distribution to civil engineering group, blocked a merger between two leading construction companies.

Générale des Eaux, owner of a 34 per cent blocking minority in the construction group Fougerolle, would not allow it to consummate an agreed takeover of one of Fougerolle's main competitors, Société Auxiliare d'Entreprises.

If the bid had succeeded, the result would have been a group with annual turnover of FFr40bn ($7.4bn), of the same order as SGE, Générale des Eaux's main construction subsidiary. It would have been one of France's largest construction companies after the sector leader, Bouygues, which had sales of FFr64.3bn last year.

Générale des Eaux said the merger would have made it harder for shareholders to track the two groups' development and separate profits records. It saw no advantages from the merger to compensate for this problem.

Fougerolle said that the merger could not now go ahead and that it was "regrettable" that the industrial advantages of the scheme were so misunderstood.

This is the latest episode in a power struggle between Mr Guy Dejouany, chairman of Générale des Eaux, who is one of the most influential operators in the Paris business establishment, and Mr Jean-Francois Roverato, the self-made son of an Italian cabinet maker who worked his way up the ranks in Fougerolle to become chairman in 1987.

Mr Dejouany wanted to take over Fougerolle three years ago and merge it with SGE. But Mr Roverato refused, staging a management buy-out, leaving Générale des Eaux as the second largest shareholder after Paribas, the financial and industrial holding group which owns 47 per cent of Fougerolle.

This is also a setback for Paribas, which supports the Fougerolle-SAE merger plan. It is only the latest misadventure in Paribas' industrial portfolio, following the recent discovery of a FFr600m loss which was due to off balance sheet financial dealings in its Ciments Français subsidiary.

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# Sapin wants to extend EMS links

By David Buchan and William Dawkins in Paris

THE European Community should increase its monetary co-operation with neighbouring countries which have applied to join it in order to promote stability and growth, Mr Michel Sapin, France's finance minister, said yesterday.

Mr Sapin, who remarked that President François Mitterrand had shifted in favour of EC enlargement in reaction to Denmark's vote last June against Maastricht, gave no details of what kind of monetary co-operation he envisaged with Community neighbours.

But in an interview with the FT, he said: "There is a whole range of possibilities between being totally out [of the EMS] and totally in."

Some countries such as Sweden have wanted to go beyond pegging their currencies to the Ecu and negotiating bilateral credit swaps with individual EC central banks, and have asked for formal associate status in the European Monetary System. But they were told this was not possible for non-EC members.

Mr Sapin said creating closer monetary co-operation with EC applicant countries would "just involve doing now what we would have to do later anyway". In contrast to the opening of formal enlargement negotiations, such monetary co-operation would not depend on ratification of the Maastricht treaty, because the EMS is "only an arrangement between central banks".

The minister also said that while he saw no need for any fundamental reform of the EMS, the fact that foreign exchange markets lacked the sort of rules which existed in bond, equity and futures trading should be examined at a wider, international level. France has asked the Group of 10 countries to study the issue.

Mr Sapin also rejected suggestions that France had stifled discussion of possible realignments of EMS parities, and in particular that Mr Jean-Claude Trichet, the French Trésor director who is chairman of the EC Monetary Committee, had failed to pass on to the British a German suggestion that the pound might be devalued. He said Mr Trichet had loyally served both French and EC institutions, adding: "The British and Germans should not try to settle their differences on the back of a third party."

"In fact," Mr Sapin claimed, "I had warned my [EC] colleagues in the weeks preceding the French referendum on Maastricht that the result would be very tight, and that they should take care their monetary policies were correct, because we don't want a big spectacular bust-up."

In general, he said he continued to regard the EMS as a system of fixed but adjustable rates. The lesson of the September crisis was that monetary authorities should take stock, more regularly and more candidly, of possible divergences between their currencies.

Mr Sapin now considered the French franc to be in "a fixed system", particularly with regard to the D-Mark, given that France had a lower deficit and inflation than Germany. This had helped France win the "battle of the franc" in September, as had also the "very good co-operation" of the Bundesbank.

EMS rules require central banks to intervene when a currency hits its floor rate. But by stepping in before that happened to the franc, the Bundesbank had made its intervention appear "voluntary and all the more appreciated by the markets for that".

The EMS would withstand the unlikely event of the Maastricht treaty not being fully ratified, Mr Sapin said.

But he stressed that he did not want to go ahead with a smaller monetary union with Germany and the Benelux countries. "It is in all our interests that the zone of monetary stability is as wide as possible."

Michel Sapin: Proposed a range of possible monetary ties with countries applying to join the European Community

# Schlesinger gives warning on common currency rules

By Christopher Parkes in Frankfurt and Andrew Hill in Strasbourg

THE conditions governing the European Community's planned shift to a common currency are already weak and unclear and there is a danger they could be further diluted, Mr Helmut Schlesinger, president of the German Bundesbank, warned yesterday.

Spelling out the central bank's reservations to members of the European parliament in Strasbourg, Mr Schlesinger virtually denounced as inadequate the criteria laid down in the Maastricht treaty.

While striving to avoid attracting charges of political interference, couching his comments in the context of statements from Chancellor Helmut Kohl and other politicians, he noted: "The German population and parliament should agree to give up the D-Mark only if there is to be no lazy compromise in the selection of countries for monetary union."

"The convergence criteria are not very clear and also not especially strict," he said. Permissible limits for national deficits were "as a rule too high".

Mr Schlesinger said conditions governing price rises had to be rigorously interpreted and stood as a "true test" of member states' commitment to stability: if monetary union were to go ahead now, countries with inflation rates of 4.5 per cent could be accepted.

The Frankfurt central bank, which regards a 2 per cent annual rate as merely tolerable for Germany, has in the past said it would prefer a fixed inflation rate to the Maastricht formulation. This defines countries with inflation rates up to 1.5 percentage points above the average of the three lowest rates in the Community as acceptable participants in monetary union.

The treaty conditions on budgetary discipline appeared to be exacting, but the permitted upper limit for government deficits – 3 per cent of gross domestic product – was "as a rule too high", Mr Schlesinger claimed.

This criterion was also "particularly open to interpretation". Even if member states had significant success in consolidating their budgets in the coming years, there were likely to be some which would be unable to meet the deficit criteria.

Mr Schlesinger said later he did not consider there was any need for reform of the European exchange rate mechanism to allow greater central bank intervention.

Questioned after his speech, Mr Schlesinger said he did not consider German interest rates were particularly high by normal domestic standards.

# Solchaga blames German policy

By Tom Burns in Madrid

SPAIN'S finance minister, Mr Carlos Solchaga, yesterday criticised Germany for exacerbating difficulties in the European monetary system (EMS).

Mr Solchaga said German interest rates, having suffered the consequences of German unification, currently reflected "a policy mix that has traditionally been considered perverse". He compared German spending to that by the US in the 1960s "which led to the irreversible collapse of the Bretton Woods agreements".

At a Financial Times conference on Spain and Europe, Mr Solchaga said a redirection of the German policy mix was a "herculean task" that the German monetary authorities were addressing and which all parties concerned realised would take time.

He argued however that "the maintenance of a strong D-Mark and a co-ordinated, and possibly not homogenous, reduction of European interest rates" should not be mutually exclusive.

Mr Solchaga said Spain was "willing to back any Community agreement aimed at solving the EMS crisis that began in September". The UK and Italy withdrew from the system in the midst of the currency turmoil two months ago, and Spain, together with other Community partners, introduced currency exchange restrictions to maintain their currencies within the EMS.

Mr Solchaga said that even if a realignment were politically possible, little would be gained unless all the EC members were "simultaneously able to end the current anomalous situation of the EMS".

Mr Solchaga said that Spain was determined to meet the Emu criteria and would pursue convergence policies.

# Brussels in conflict with UK on border controls

By Andrew Hill in Strasbourg

BRITAIN and the European Commission have "not yet found common ground" on the vexed political issue of lifting the UK's border controls on people, according to Mr Martin Bangemann, EC internal market commissioner.

Mr Bangemann said yesterday the nine continental European members of the Schengen free travel zone were unhappy with a compromise which would allow EC visitors to Britain simply to wave their passports at immigration control after January 1 1993.

After meeting Mr Kenneth Clarke, the British home secretary, in September, Mr Bangemann was widely understood to have agreed British compromise proposals.

But in an interview with the Financial Times yesterday, the commissioner said he had been misinterpreted and discussions were continuing. "What I'm interested in is having a practical situation at the borders which shows [member states] are taking on board what we believe is essential, and that is: no regular controls at internal borders."

He believes the Commission position has a strong foundation in EC law, although he said yesterday he did not want a legal dispute with member states on the issue.

Britain disagrees with the Commission's legal interpretation and has always argued that controls are essential if non-EC travellers are to be properly monitored.

British officials yesterday agreed that the question of how to resolve the dispute was still open. Mr Bangemann hopes to continue discussions with Mr Clarke when EC immigration ministers meet in London at the end of this month. "What I need is a declaration that these regular controls will not be exercised [after January 1 1993] and a practical situation demonstrating willingness not to exercise them," he said yesterday.

Britain is not alone in its reluctance to lift border controls on people. Denmark and Ireland also have specific problems, and even the nine Schengen countries are worried that controls on external EC frontiers may not be strong enough to justify lifting border checks so soon.

# Britain defends Maastricht vote delay

By Andrew Hill in Strasbourg

THE British government yesterday defended its decision to delay a final Westminster vote on the Maastricht treaty in front of angry members of the European Parliament.

The decision to postpone the vote until May – after Denmark's second referendum on the treaty – was criticised by some MEPs during a debate on the Danish problem in Strasbourg.

But Mr Tristan Garel-Jones, UK Foreign Office minister, said the MEPs were ignoring the political risks run by Mr John Major, the British prime minister.

Stressing that he was speaking as a British minister, and not as representative of the EC presidency, Mr Garel-Jones said: "My government, and my prime minister, staked a very great deal indeed on the recent vote in our parliament."

Mr Major is understood to have promised the postponement to recalcitrant backbenchers as the price for their support. Privately, UK officials believe that without that promise, the treaty might have been blocked and the outcry from Britain's European partners would have been even greater.

"If you want leadership from John Major, you should calculate the risks that he took for the Maastricht treaty a week or two ago," Mr Garel-Jones told MEPs.

Referring to opposition MPs who voted against the treaty, Mr Garel-Jones said the Labour party had been "playing Russian roulette" with it. "The British government is not prepared to do that and we will proceed with caution and with certainty," he said.

Separately, he dismissed as "dangerous talk" suggestions that Denmark might have to leave the EC. "Small nations must be comfortable in the Community," he said.

# ICI faces anti-trust inquiry

By Peter Bruce in Madrid

IMPERIAL Chemical Industries, the UK's largest manufacturer, is being investigated by Spanish anti-trust authorities for sharply, and, allegedly, unfairly, increasing the prices at which it transfers agrochemical products to its largest Spanish joint venture, ICI Zeltia.

The owners of Zeltia, a Galician-based chemicals group, have accused ICI of deliberately depressing profits at their 50/50 joint venture, whose share of the Spanish agrochemicals market has slipped from second to fourth since the price increases began in the spring of 1989.

ICI Zeltia's net profits fell from Pta542m (£3.13m) in 1988 to Pta186m the following year, and to Pta96m in 1990. Spain's once-moribund Court for the Protection of Competition, recently given a new lease of life by the government, has agreed to investigate Zeltia's complaints.

ICI said yesterday it believed the complaint was without foundation.

ICI Zeltia has been distributing ICI products in Spain since 1964 under an agreement Zeltia's lawyers now say conflicts with a 1989 law guaranteeing free competition as it prevents the joint venture from exporting any of its product out of Spain.

# EC probes Del Monte takeover

The European Commission is to hold an inquiry into the acquisition of Del Monte Foods International by the Imerman family investment consortium and Anglo American Corporation of South Africa.

The deal involves an Imerman sub-consortium and an investment consortium controlled by Anglo-American setting up a joint voting arrangement to control Royal Group Holdings, which in turn will control Del Monte, the Commission said.

Interested third parties have 10 days in which to file comments during the first phase of the month-long inquiry under the EC's merger regulation.

# Danish tax minister quits to avert crisis

Mr Anders Fogh Rasmussen, who had a dual portfolio as Denmark's minister for taxation and the economy, resigned yesterday when it became clear that a majority in parliament backed a vote of no confidence in the government unless he stepped down, writes Hilary Barnes from Copenhagen.

# Community's social action plans succumb to sabotage and recession

**David Goodhart** reports on how some high hopes have been brought down to earth

THE "social dimension" of the European Community relaunched by Mr Jacques Delors in 1989 is proving a disappointment to many of its supporters, especially Europe's trade unions.

Slower growth in Europe and successful sabotage by Britain has ensured that only a small number of the key measures contained in the 1989 social action programme have been adopted.

If the Maastricht treaty is passed, its "social chapter", which excludes Britain, should make it easier to push through more social and employment legislation by majority vote.

But even that looks unlikely as some of the leading strategists inside the European Commission's Directorate-General 5 – the social affairs directorate – privately speculate about a less ambitious approach to legislation.

Social affairs officials appear to have taken some of the British criticisms about over-centralised, over-prescriptive, legislation to heart. They are thus concentrating their attention on the idea – included in the social chapter – that the European Trades Union Congress (ETUC) and Unice, the European employers' body, should agree the details of European social and employment law between themselves.

This idea, with the Commission itself merely laying down general objectives, is likely to appeal to whoever takes over from Ms Vasso Papandreou, the current social affairs commissioner from Greece.

The idea does not, however, appeal to the ETUC. At a recent conference in Greece, Mr Jean Lapeyre, its deputy general secretary, said: "The trouble is European employers are only willing to negotiate with us if there is a threat of legislation."

It has not dropped its commitment to legislation and was merely encouraging unions to use the potential leverage in the social chapter.

But IG Metall, the main German union, is said to be ready to "drive tanks into Brussels" to make sure that the commitment to works councils is maintained. And Mr Marcello Malentacchi, general secretary of the International Metalworkers' Federation, has written to the Commission saying that works councils are the most important part of the social dimension.

## Key social action programme directives

**PASSED:**

- Six health and safety directives
- Written proof of employment directive requiring contracts of employment
- Collective redundancies (revised) directive requiring consultations on job cuts
- Maternity directive – diluted version of original proposal giving women minimum pay and time-off
- Protection of young workers directive – diluted version of curbs on child labour

**BLOCKED:**

- European works councils directive – requiring companies operating in more than two EC countries to set up employee consultation committees
- Atypical workers directive – providing protection for part-time workers
- Subcontracting directive – to prevent employers taking workers from another EC country and paying them below national rates

**PROBABLE:**

- Working time directive – diluted version of proposal limiting the working week

There is, nevertheless, some evidence that the idea is sticking. The Commission recently withdrew a health and safety directive on transport because it was not flexible enough. Even more shocking to Europe's unions were recent comments made by Mr Hermanus van Zonneveld, a senior Commission official, who appeared to suggest at a conference in the UK that the EC was losing interest in legislating on European works councils – consultation committees in European multinationals.

The Commission insists that

The reason why unions are so obsessed by works council, which are merely consultative bodies, is that they see them as the first step towards the long-held goal of cross-border collective bargaining. It was the Maastricht treaty's ability to deliver on works councils, plus the fact that the social partners, unions and employers, were given formal recognition in a major international treaty, that persuaded union leaders around Europe to give their qualified backing to Maastricht.

On the face of it that support is rather surprising. The anti-inflation, anti-devaluation, principles built into economic convergence mean that wages and employment will have to take the strain of adjustment in Europe's less successful economies. Even the pre-Maastricht moves towards convergence are causing a wave of strikes in Spain and Italy led by the very unions that are supporting the even more stringent convergence conditions of the treaty itself.

If the social dimension sweetener is now being taken away as well, it is no wonder that Europe's unions are feeling a bit exposed on their Europhile flank.

But arguably the unions are interpreting the social dimension too narrowly. Since 1989 about 60 per cent of the social action programme has been passed. Admittedly much of the legislation, for example on maternity pay or working time, has been watered down, but there is still much of value from a union point of view.

There has been a consistent trickle of health and safety legislation, with another batch due for implementation at the beginning of next year. The written proof of employment directive, passed last year, could also significantly improve the rights of the most vulnerable workers.

Even the working time directive, which is unlikely to be passed this year under the British presidency but will probably be passed early next year, has some useful protection for workers forced to work dangerously long hours, and might encourage more job creation and less overtime when the upturn comes.

Further, in Britain, the government's current drive to contract out central government services has been thrown into confusion by one of the oldest pieces of EC employment legislation known as the acquired rights directive.

Like so much else in the EC, enthusiasm for the social dimension waxes and wanes. After the spurt of the late 1980s the outlook for the social dimension is currently bleak, but it would be foolish to write its obituary.

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# Russian industry may get more help

By John Lloyd and Dmitri Volkov in Moscow

SENIOR officials of Russia's central bank yesterday made clear their intention to strengthen policies designed to prop up ailing state industries.

They said they were considering lowering the 80 per cent interest rate charged by commercial banks.

They also said they could reintroduce subsidies paid by the state on imports of key products.

Mr Valerian Kulikov, the central bank's first deputy chairman, said the move would reflect the willingness of Mr Boris Yeltsin, the Russian president, and Mr Yegor Gaidar, the acting prime minister, to accommodate the pressures for support from the state industry bosses. This was made clear at the weekend in talks between the two men and leaders of the powerful Union of Industrialists, he added.

The interest rate, at 80 per cent, is thought punishingly high by industrialists – though it still represents a strongly negative rate, given inflation estimated at around 2,000 per cent per annum.

Earlier this week, Mr Yeltsin made Mr Victor Gerashchenko, the central bank chairman, a member of his government. The move aims to bring the central bank, which is legally responsible to the parliament, under greater governmental control.

However, Mr Alexander Khandruyev, a central bank deputy chairman, said yesterday that while the move would allow for greater co-ordination between the government and the central bank, the latter would remain answerable to parliament first.

At the same time, deputies warned yesterday they might move to suspend all licences allowing foreign banks to hold accounts for Russian citizens. Mr Alexander Pochinok, chairman of the budget committee, said that the law would "stop the capital flight from Russia".

# Deepening crisis pushes Ukraine into urgent reform

By Chrystia Freeland in Kiev

THE UKRAINIAN prime minister yesterday told parliament the country's economic crisis was so acute that there was no alternative but to adopt an ambitious reform programme.

In what amounts to a U-turn in Ukraine's economic policy, Mr Leonid Kuchma called for the curbing of Ukraine's runaway budget deficit – 44 per cent of GDP, he said – along with "forced" privatisation of both large and small enterprises, an overhaul of the burdensome tax system and a focus on agriculture as an engine for overall reform.

Together with the stimulation of the private sector, Mr Kuchma plans to introduce stricter government regulation in some areas. He called for tight exchange control over all foreign currencies, including the rouble, and warned that the chaotic and often corrupt state sector would be subject to closer government control. After reciting a list of bleak economic indicators, Mr Kuchma told the legislature: "We have no choice but to build everything from scratch as we did after the second world war."

Over the objections of ex-communist hardliners, Mr Kuchma was granted extraordinary powers until May 1, when parliament can decide whether to extend them further.

Under the existing system the prime minister, president and parliament share power, forming an awkward and weak troika. In an effort to break through this deadlock Mr Kuchma won the right to take extensive economic decisions unilaterally or together with the president and persuaded reluctant MPs to restrict their own authority to passing economic legislation.

As the director of the world's largest missile factory, Mr Kuchma had been expected to continue his predecessor's policy of subsidising the massive state sector. But, since becoming prime minister less than a month ago, he has concluded that Ukraine can no longer afford to prop up the old regime.

He conceded that the economic situation was worse in Ukraine than in any other former Soviet republic, citing an 18 per cent decline in GNP and a 22-fold increase in the prices of wholesale goods since the beginning of the year.

Under the stewardship of Mr Kuchma's predecessor, Mr Vitold Fokin, Ukraine staved off total collapse by issuing more than Rb400bn of unbacked credit to bale out faltering state enterprises. That option was closed last week when Ukraine, to Russia's relief, left the rouble zone. Mr Kuchma gave Ukrainians the warning that his programme of swifter privatisation and tighter control over credit would result in bankruptcies and unemployment. To mitigate these effects he suggested the creation of a workfare system whereby the unemployed would be paid a minimum wage to work on government construction projects.

# Defiant Serbs mark 'liberation' battle

By Laura Silber in Vukovar

A YEAR AGO, corpses littered the streets of Vukovar and not a single building had escaped damage from the bloody three-month battle for control of the Croatian town.

Today, the Serbian tricolour flag hangs from burnt-out windows in the once-picturesque town on the banks of the River Danube.

Serb leaders yesterday held a celebration to mark the "liberation" of Vukovar, in which their fighters had routed Croat forces. It was a solemn occasion. Some 3,000 people died in the battle for Vukovar.

Weeping women laid wreaths at the graves of loved ones as Serb fighters looked on. But few admitted remorse for the devastation of the town and defiance was in the air. "No one will ever again step on the Serbs now," said Mr Zoran Milivojevic, an irregular from central Serbia who had fought in Vukovar.

The cemetery, where Serbian and Croats graves lie next to one another, now offers the only testimony of the community's once harmonious mixed population of 50,000 Catholic Croats and Orthodox Serbs.

Only a handful of Croats remain in the town, mainly wives of Serbs.

Serb leaders yesterday vowed they would never cave in to international pressure against the rump Yugoslavia – which consists of Serbia and Montenegro. Major Veselin Sljivancin, an army commander of operations in Vukovar warned that "Europe and the rest of the world must realise we would be traitors to those who died, to give in." At a ceremony in the bombed-out town centre, families of those fighters killed in battle received medals for bravery. A cold rain fell on the crowd which listened to a defiant Mr Vojislav Seselj, an ultra-nationalist and paramilitary leader linked to the Serbian president, Mr Slobodan Milosevic. "Serbia will never be brought to its knees. The international community is trying to weaken Serbia ... but it will not succeed in breaking up Yugoslavia," he vowed.

Above the crowd, Mrs Milka Kovacevic, 61, and a Serb, sat in a flat she now calls home after hers was destroyed by shelling. She was not attending yesterday's ceremony and was thankful to be alive with power and running water once again. Mrs Kovacevic was one of some 8,000 Vukovar inhabitants to hide in a cellar while above her head Serb fighters backed by the Yugoslav Army fought against Croat forces. Plastic covered the windows and the ceiling appeared to be falling down. "I don't care who is in power as long as there is peace," she said.

Yugoslav Prime Minister Milan Panic (centre) yesterday visiting a federal army soldier injured in last year's battle for Vukovar

# France seeks new Bosnia conference

By Robert Mauthner, Diplomatic Editor

FRANCE said yesterday it was seeking another international conference at foreign minister level to give fresh impetus to moves to solve the crisis in Bosnia-Hercegovina.

The meeting would involve all the parties to last August's international peace conference on Yugoslavia in London, notably the 12 European Community countries, the five permanent members of the United Nations Security Council, the Group of Seven leading industrialised nations, as well as all the former Yugoslav republics and neighbouring countries.

The initiative, which is being worked out in co-operation with Italy, is intended to complement, not to compete with the work of Mr Cyrus Vance and Lord Owen, co-chairmen of the Geneva peace talks on Yugoslavia, a French foreign ministry spokesman said yesterday.

The spokesman listed the issues which the French government wanted the conference to address as minority rights, the division of Bosnia into regions, the containment of military clashes, the eventual demilitarisation of the republic, and the possibility of a widening of the UN's role beyond peacekeeping.

■ A group of six prominent former world leaders, including two US ex-presidents and a former British prime minister, yesterday called for urgent international action to find a solution to the Bosnian problem and to provide assistance to Bosnian refugees.

In a joint statement, the leaders said the world was witnessing in Bosnia "a replay of one of the darkest eras of modern history: the invasion of one sovereign nation by another. It is the attempted genocide of people who have lived in peace and tolerance with their neighbours for centuries."

The declaration was signed by former US Presidents Ronald Reagan and Gerald Ford, Baroness Margaret Thatcher, Mrs Jeane Kirkpatrick, former US ambassador to the UN, General Alexander Haig, former Supreme Allied Commander in Europe and US Secretary of State, and Prince Sadruddin Aga Khan, former UN High Commissioner for Refugees.

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## THE CHALLENGE OF THE NEW SOUTH AFRICA

## Poised for an expanding role in Southern Africa

*Professor Owen Horwood, President and Chairman of the Development Bank of Southern Africa talks to John Spira, Finance Editor of Johannesburg's Sunday Star.*

*Owen Horwood*

**Spira: How is the Development Bank of Southern Africa constituted?**

**Horwood:** The Development Bank of Southern Africa was established in 1983 by a multilateral agreement between the government of South Africa and several neighbouring governments.

**Spira: What is the aim and structure of the Development Bank?**

**Horwood:** The Bank is an integral part of the delivery system for economic and social development in the region. It aims to empower people through a more equitable distribution of access to knowledge and opportunities, especially for those disadvantaged by past patterns of economic growth.

The Bank offers four main products:

- Loan finance at concessionary terms for development projects and programmes.
- Technical assistance and advice for the building of institutional and human capacities.
- Policy and strategy intervention to address development constraints.
- Data on development features of the region.

Borrowers include central, regional and local governments, their development agencies and non-governmental organisations. The Bank is also involved in parallel financing arrangements with international development aid organisations for projects in neighbouring countries such as Lesotho, Namibia and Mozambique.

At the end of March this year, the Bank had approved an accumulative 976 projects and programmes totalling R5,7 billion, while a further 456 projects with a loan value of R3,5 billion were under consideration. The Bank disburses about R1 billion a year.

It stands poised to assume an ever-increasing role in the economic development of the southern region of the continent. This enhanced, strategic role will be facilitated by the sound relations we have built up in the past year with important development agencies such as the World Bank, the African Development Bank, and a number of others, including international banks.

In February this year the Bank achieved a notable breakthrough in the European capital market when it successfully launched a DM200 million bond on better than expected terms.

**Spira: How would you characterise the Bank's role in the rapidly changing social and political fabric of South Africa?**

**Horwood:** The momentum of the political process has placed increasing focus on the dire need for development and has underlined the importance of viewing the economy within an integrated regional framework.

The increasing understanding of the need for regional cooperation is reflected in a multitude of regional discussion and planning forums, which augurs well for a future comprehensive development approach.

The growing interest and involvement of foreign governments and international agencies presages a level of support that the region has not experienced for a long period. But it also raises the requirement for the region to get its own house in order if the future flow of development support is not to be dissipated in a large number of unco-ordinated efforts.

The renewed interest in South and southern Africa indicates that the region is being accepted back into the community of nations, a process which requires considerable adaptation of old thinking patterns and approaches.

It may be argued that the current volatile political and social environment is not conducive to development actions, and that clarity on a future political and economic dispensation is required before momentum in the development field can be regained.

The Bank has taken the view that there is a distinct danger in adopting this approach: It can lead to stagnation, loss of development momentum and the increasing erosion of development assets and of provision of services in the interim phase.

We are therefore adopting an active and aggressive approach to addressing imbalances, inequities and the alleviation of poverty, characterised by our involvement in the process of restructuring and reform, rather than waiting for change.

The Bank possesses a pool of skills and experience, as well as a database of focused development information. It has extensive contacts in the international development community and enjoys international recognition for its integrated and cohesive approach to development.

**Spira: How are the Bank's funds allocated?**

**Horwood:** We endeavour to allocate our development resources in a balanced and economically rational programme. The largest portion of fixed commitments is in the most economically depressed areas. Significantly, 45 per cent of our total investment programme has been committed to projects in rural areas. The greatest part of the rural funding has been spent on the construction of roads and other infrastructure necessary to support rural-urban links.

This large investment in infrastructure will in future have value added to it as the Bank's investment focus shifts to business and entrepreneurial development, as is now happening.

The higher percentage of mainly infrastructural projects in developing urban areas will continue to rise, as these areas have lagged behind the developed urban areas in the provision of services.

**Spira: In addition to playing a role in reconstructing the greater South African economy, what is the Bank doing in terms of human development?**

**Horwood:** The region in which the Bank operates has not only had a poor economic growth record over the past decade; it has also performed inadequately in the human development indicators, as defined by the United Nations Development Programme in its landmark Human Development Reports of 1990 and 1991.

Human development takes place when people's range of choices is enlarged to make development more broadly-based and participatory. These choices include access to employment, income, education and health; and the ability to participate fully in community decisions and enjoy human, economic and political freedom.

In all the Bank's programmes, the ultimate objective of making these choices available to the underprivileged communities enjoys a high priority.

**Spira: What is the Bank's socio-economic agenda?**

**Horwood:** The need for structural reform to empower deprived communities and to bring them into the mainstream of the economic process has become prominent on the southern region's agenda.

The political process is taking place against a continuing weak performance of the economy. This has resulted in increasingly lower percentages of new entrants to the labour market being absorbed into the formal economy, an expanding informal economy and rising unemployment.

The severe drought gripping the subcontinent does not only have a negative effect on already weak economic performance, but also affects deprived and poor communities more severely.

If progress cannot soon be achieved on the economic front and effective programmes implemented to address poverty, the political process could be undermined. The essence of long-term economic growth is sustainability through optimal and balanced private and public sector investment programmes.

During the past year, the participatory process of formulating socio-economic policy has evolved further. This has included the creation of a macro-economic forum as well as a range of others to address specific issues of socio-economic development, such as education, urbanisation and housing, water supply and energy supply.

These forums are normally representative of a wide spectrum of interests, including political groupings, civil movements, labour unions and the private sector.

The Bank has often found itself as a participant or even instrumental in the creation of these forums.

**Spira: What do the poor communities regard as their highest priority?**

**Horwood:** With few exceptions, the provision of portable water and sanitation and access to economic opportunities (employment).

Professional, government and extra-parliamentary groups met at the bank in August last year to discuss the issue of adequate policy and institutions to address the backlog in the supply of water and sanitation in the poorer areas.

A steering committee was formed — a forerunner to a national forum on water and sanitation.

**Spira: What is the Bank involvement in mass housing?**

**Horwood:** While the mandate of the Bank does not include the provision of housing, its involvement in the urban areas through the provision of infrastructure and its dealing with local authorities and civic associations has resulted in its assisting in a forum jointly initiated with the Independent Development Trust to advise on a national housing policy.

We have developed a computerised housing information model which could become the basis for a much-needed monitoring device for the supply of houses and for budgeting and forecasting.

**Spira: How has the Bank contributed towards helping to solve the unemployment problem?**

**Horwood:** High unemployment has been caused by the low economic growth rates experienced over the past decade, coupled with unabated population growth. This situation has been exacerbated by an ineffective policy framework and attitudinal obstacles related to labour-based practices and an unwillingness to consider labour-intensive projects.

These obstacles are prevalent in the construction industry and consultancy profession, while in many quarters the false impression lingers that labour-based works are in some way an inferior product.

A policy of the Bank applied in its own projects and promoted in a wider context is to optimise the use of local labour, materials and skills.

Following this methodology, a community sets out to meet its needs such as schools, houses, clinics or roads, employing local labour and skills, and in the process provides for the education, training and experience for the construction and maintenance phases. This captures the project finance in the community and region to address other needs as well.

Support services through business and entrepreneurial development programmes, micro-lending, bridging finance to the disadvantaged communities and training, especially in business skills and business counselling, are an essential part of this process.

The Bank believes that the current levels of unemployment in Southern Africa warrant state intervention via public works programmes. However, such investments should be both income and employment generating. The usual outlays could be applied in such a way that they would be more labour-intensive and that the benefits would be captured within a community.

**Spira: What is the Bank's role in a broader southern African context?**

**Horwood:** The countries of Southern Africa have been subject to dramatic political, security and economic changes in recent years, including in many cases structural adjustment programmes. This has engendered wide-ranging studies and debate about future cooperation and development in southern Africa.

In recent years the Bank has actively expanded its dialogue with key role players in southern Africa, as well as those multilateral and bilateral development institutions which take an active interest in development in the southern sub-continent.

Both southern Africa and international organisations are becoming increasingly involved in studies with a view to helping the subcontinent come to appropriate agreements on the future dispensation.

One of the most important issues is the future role of South Africa as a normalised and recognised country forming part of the family of nations of southern Africa.

One such study is being conducted under the leadership of the African Development Bank with extensive international support.

**Spira: Can you spell out some of the Bank's more important and typical development projects?**

**Horwood:** To name but a half-dozen, these would include:

- financing advance infrastructure project for the very large Lesotho Highlands Water Scheme for more than R500 million, which will benefit extensive areas of the whole region;
- development of new and upgrading of existing urban infrastructure in the Witwatersrand areas of Soweto, Dobsonville, Diepmeadow and Alexandra, R77 million;
- provision and upgrading of electricity supply to an agricultural college, a hospital and a town in the Transkei;
- financing 2000 small farmers in KwaZulu to upgrade their flood irrigation system;
- the Bank has recently approved the funding of R480 million to harness the waters of the Komati-Lomati river sytsems in a major scheme in co-operation with agricultural interests in Swaziland, KaNgwane and the Eastern Transvaal;
- and, in a new development, the Government of Taiwan has announced that it is making available to the Bank a loan of $15,5 million over a period of three years to improve small (Black) farming enterprise in South Africa.

**Spira: And the Development Bank's future?**

**Horwood:** Given its solid foundation, the constructive interest of its member states and the expertise and dedication of its staff, the Bank stands poised to assume an ever-expanding role in the socio-economic development of the southern sub-continent of Africa. Already it is the major development agency in a region of vast potential.

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# Brazil's economic double act

## Christina Lamb on two unknowns running the economy

A resounding *Who?* greeted last month's appointments of Mr Paulo Haddad and Mr Gustavo Krause, the new double-act controlling Brazil's battered economy. Unknown to much of Brazil, never mind the rest of the world, the two men are now preparing to present themselves on the international stage.

Early next month, they will resume negotiations with the International Monetary Fund (IMF) in talks long put on hold while the country was absorbed by the corruption scandal that brought down President Fernando Collor.

Although Mr Krause holds the normally more important portfolio of finance, it is Mr Haddad, the new planning minister, who has clearly emerged as the one in charge of economic policy. He seems untroubled by the inevitable comparison of his provincial experience, as an economist and state planning secretary in Minas Gerais, with that of his internationally respected predecessor, Mr Marcilio Marques Moreira.

Nevertheless, Mr Haddad – the third economy minister in two years to begin battle with Brazilian inflation (now running at an annual 1,500 per cent) – admits that his problems are daunting.

However, he was yesterday putting the final touches to the short-term economic programme which the new team will present to the IMF and which he believes will reassure doubtors of the government's commitment to modernisation.

He feels people are being a little hard on the new team: "We are up to date with payments to the World Bank and Interamerican Development Bank. Tomorrow we will pay almost $1bn in past-due interest to creditor banks. We have maintained the opening of the economy. Before the end of year we will carry out a big privatisation with the sale of National Steel. The facts speak for themselves."

He plans to avoid unorthodox measures such as freezing or fixing wages and prices or dollarisation. He says that the much-mooted idea of a social pact is impossible because "the co-operative spirit is very small as too many people are benefiting from the current situation. We have more than $100bn in short-term applications, for example."

Mr Haddad is betting everything on his fiscal reform package, through which he hopes to raise at least $8bn to begin amortising federal debt. He refuses to be worried by the lack of congressional enthusiasm for the package, but, he warns: "If we don't pass it this year, the situation will be very dramatic, with sweeping cuts even in areas of social policy."

### Mr Haddad is betting all on fiscal reforms

The privatisation programme will be maintained, but the rules will be altered for sectors yet to be touched – telecommunications, oil, electrical and nuclear energy. He says that "the aim is less to sell off assets and more to incorporate the private sector so that the state still co-ordinates these strategic sectors."

He admits that the government is struggling to formulate a policy on public sector tariffs. "When we took office, state companies were all adjusting their prices in different ways. The electricity company, for example, was taking monthly monetary correction and adding 3 per cent. Nobody was looking at cost, efficiency or productivity but simply passing on waste to consumers." He points out as an example that a hydroelectric project in Brazil costs more than twice what it does elsewhere.

Mr Haddad hopes that a new tariff policy and consolidation of the privatisation programme will encourage the return of foreign investors. These changes will also have to be incorporated into the IMF accord, which requires a 15-17 per cent real increase in tariffs by the end of 1993.

Technical level talks with the IMF begin next week, to be followed by the mission led by Mr Haddad. He hopes that before his visit the Senate will have approved the termsheet for the restructuring of Brazil's $44bn commercial debt.

The IMF is likely to ask some tough questions, given Brazil's poor record of the last decade of never progressing beyond the first instalment in an IMF loan agreement. But Mr Haddad says he expects a sympathetic reception: "Such international institutions come under a lot of pressure from public opinion, and the fact that they had been negotiating with a corrupt government which had been wasting a lot of money will mean they will be eager to help the new administration."

Mr Clinton on his way to meet President Bush

# Clinton meets Bush in White House

By George Graham in Washington

PRESIDENT-ELECT Bill Clinton yesterday arrived in Washington for a private White House meeting with President George Bush and what Mr Clinton described as "a candid assessment of world affairs".

Particularly at issue is the degree of co-operation that Mr Clinton can expect from President Bush in the run-up to the presidential inauguration in January.

In fact, Bush has promised the full cooperation of his administration, and Clinton has praised the president's helpfulness. Nonetheless, Mr Clinton planned to spend just 55 minutes with the president.

Republican congressional leaders have served notice on Governor Bill Clinton that they intend to act as his chaperons on his presidential honeymoon.

But although Mr Clinton says he prefers to "dance with the one that brung you", he may be tempted from time to time to flirt with his escorts.

Party divisions are rarely clear in the US, and many presidents have governed with shifting congressional coalitions.

Many Republicans are now hinting that they could be receptive to President-elect Clinton on some issues, especially if he sticks to the centrist views that he has espoused as governor, rather than the more liberal doctrines of his presidential campaign.

That is particularly so of some of his fellow-governors, many of whom have worked with him during his years running Arkansas.

"We will be as supportive as we can with the new president. He can be assured that this group will not take any cheap shots," said Governor George Voinovich, president of the Republican Governors' Association.

Mr Voinovich says the number one problem most governors face is the federal government's habit of issuing new mandates to the states without giving them any additional money.

"We take consolation from the fact that he is a governor. He certainly understands our concern about mandates without money."

Governor Carroll Campbell of South Carolina, who co-chaired a governors' taskforce on education with Mr Clinton but who has fought him tooth and nail over the last six months as head of Mr Bush's re-election campaign in the South, also takes a conciliatory line.

"Everybody likes Bill... There are areas where we can get out there and support him, and we should," Mr Campbell said.

But Senator Robert Dole, Republican leader in the US Senate, warns that he has no plans to give Mr Clinton an easy ride. "The American people want him to succeed, but I have never thought as a Republican that it was our obligation just to give up. Don't expect Bob Dole to hand over the keys of the place without a fight," he said this week.

# Exports make small dent in US trade deficit

By Michael Prowse in Washington

A REBOUND in exports led to a US trade deficit of $8.3bn (£5.5bn) in September, $300m lower than in August but still one of the biggest deficits in two years, the Commerce Department reported yesterday.

The slight narrowing in the deficit reflected unexpected strength in exports, which rose 6.3 per cent from August to $38.2bn, a record in cash terms. The improvement was broadly based, with sectors such as computers, semiconductors and civilian aircraft rebounding after declines in August.

Imports rose 4 per cent to $46.5bn, also a cash record. The increase was concentrated in consumer goods, reflecting a recovery of personal spending.

The longer-term trends, however, point to a deterioration of the trade deficit in coming months.

Adjusting for the volatility of monthly figures, exports have barely risen since the spring, while imports have increased sharply.

The discrepancy mainly reflects stronger growth in demand in the US than in other big markets, such as Japan and Europe.

The deficit for the first nine months of the year was $60.1bn, compared with $49.2bn in the same period last year.

The geographical spread of the deficit indicated possible trade tensions next year with Japan and other Asian countries should the US recovery, and hence import demand, gather momentum.

Last month, the US ran deficits of $4.4bn with Japan, $2.3bn with China and $1.7bn with Asia's newly-industrialised countries.

By contrast it ran a surplus with most other regions, including western Europe and Mexico.

# Chip strategists seek way ahead

By Louise Kehoe in San Francisco

TOP semiconductor technologists from industry, academia and US government laboratories are meeting in Dallas this week to develop a strategy for semiconductor research and development that can be used to direct future US industry and government spending.

The group will prepare a report to be presented to President-elect Bill Clinton shortly before his inauguration. The meeting has been planned for over a year, but has taken on a new significance in light of Mr Clinton's plans to boost government spending on non-military research and development.

"The report is not expected to call for new money" or government-supported programmes for semiconductor research and development, said Mr Gordon Moore, chairman of Intel, who is chairing the meeting, "but it should serve as a useful guide to ensure that both public and private funds are spent efficiently".

The technologists will identify critical areas of research that need to be addressed and determine where this work can best be done – whether at Sematech, the government-backed semiconductor industry research consortium, in national laboratories, university research departments or by individual companies or groups of companies.

Elements of the strategy are expected to be drawn from the work of other industry-led groups including the Semiconductor Research Council, the National Advisory Committee on Semiconductors and Sematech.

Rather than compiling a "wish list" for semiconductor research, however, the technologists will attempt to formulate a plan for the industry to maintain its competitive posture without the influx of new funds, Mr Moore explained. The group hopes to guide the efforts of university and government researchers, Mr Moore said, preventing the possibility of research being diverted into "weird materials and weird effects," with little commercial potential.

"I don't know of any other industry in which the chief technologies from government laboratories, universities, consortia and private industries have come together to work out a technology direction. This could serve as a useful model for other industries," Mr Moore said.

The plan to present the industry-led report to Mr Clinton signals what is expected to be a much closer relationship between industry and the White House under the new administration.

# Europeans look for Japanese investors

By Emiko Terazono in Tokyo

GERMANY, France and Portugal have sent delegations to Japanese companies to promote their regions as attractive investment areas. At a time Japanese manufacturers face sharp profit falls due to the economic slowdown, the missions want to make their mark ahead of a business recovery.

Their efforts may undermine the UK as a first choice for Japanese investment, since the Japanese have begun to look at continental Europe for further investments, due to the large German and east European markets.

"We do not expect Japanese companies to rush into invest just after one trip," said Mr Christian Cambon, president of the business promotion agency from Ile de France, the region which includes Paris.

Mr Cambon and said be and other 25 members were in Tokyo to remove the negative image many Japanese hold of France. Comments last year by Mrs Edith Cresson, then prime minister, that Japanese companies want "to conquer the world" and that Japan "doesn't play fair" shocked many Japanese business leaders. Some 195 Japanese manufacturers have set up operations in the UK, with only 128 in France and 111 in Germany.

Mr Shigeyuki Onishi, deputy general manager of the Bank of Tokyo's corporate advisory division, said many Japanese companies were looking to move the centre of their European operations to continental Europe from the UK. "More Japanese companies are focusing on the huge potential of former east European markets," he said.

# Airline compensation decision born of embarrassment

By Robert Rice, Legal Correspondent

THE decision by Japan's airlines to remove the ceiling on compensation to victims of accidents on international flights was born of embarrassment shared by most world airlines and their insurers that limits on compensation set by international conventions are too low.

Dissatisfaction with liability limits set by international agreements stretches back to 1955, when the US refused to be party to the Hague Protocol doubling the original compensation limits of $10,000 (now £6,622) set by the Warsaw Convention in 1929. When the Convention was adopted, a cap on liability was seen as necessary to protect the infant aviation industry from catastrophic loss for which adequate insurance cover might not be available.

But by 1955 the industry was well established and the US refusal to ratify the Hague Protocol (because Congress felt $20,000 was inadequate compensation for the loss of an American life) marked the beginning of the end of uniformity on the issue of liability.

The US remained a party to the 1929 convention but by 1966 had persuaded air carriers serving the US to adopt the Montreal Agreement limiting liability to $75,000 regardless of fault for all flights starting or ending in the US.

In 1971 a further attempt to raise the limit to $100,000 and restore uniformity was made in Guatemala. Among other features, the Guatemala Protocol allowed parties to it to adopt a domestic system to supplement the legal liability limits for passengers.

The US had been a prime mover in trying to lift the compensation limits, but did not sign the protocol, which could not come into force without US participation. Instead, the US tried in 1975 to amend the Montreal Agreement by adding protocols, the third of which, Montreal Agreement Protocol 3 (MAP3), dealt with liability, raising maximum limits to $130,000.

MAP3 picked up many features of the Guatemala Protocol, allowing states which are parties to it to set up supplemental compensation plans (SCPs), so that a two-tier system would arise under which airlines could be liable for the first $130,000 per passenger and the SCP, for which passengers would pay an enforced levy, would be expected to provide compensation above that amount.

The UK and a number of other Warsaw countries have ratified MAP3, but by the time of this year's US election, the US had not done so, and had not introduced an SCP. MAP3 cannot come into force until 30 states have ratified it; that is unlikely to happen until the US signs.

International air carriers thus face an impasse on liability which has not been helped by the International Air Transport Association's unwillingness to promote any change other than one based on MAP3. IATA fears any other course would prompt the US to denounce the Warsaw Convention, leading to chaos and the renewed risk of punitive damages awards, only just outlawed by the US Supreme Court in the 1991 Korean Airlines case.

The Japanese move to adopt a special liability contract within the framework of the Warsaw Convention is an attempt to break the logjam and is likely to be followed by other carriers unless the industry, through IATA, takes steps to restore the uniformity missing since 1955.

# Statistics and contrary statistics muddy Gatt farm deal

## Unknown variables make the search for an agreement seem almost an impossible quest, **David Gardner** writes

IF MR Ray MacSharry can bring back a package resolving EC-US food export disputes and opening the way for a Uruguay Round world trade reform deal from Washington, he will be obliged to demonstrate that it is compatible with the Community's reform of its Common Agricultural Policy (CAP).

Mr MacSharry, the EC farm commissioner who has the figures of Europe's premier agriculture bureaucracy, the European Commission's directorate-general VI, at his fingertips, is unshakeably confident he can. France, which is opposing a deal under the General Agreement on Tariffs and Trade, says it will be lopsided against the EC and French farmers, and has despatched officials to Brussels with satchels of figures to say that he cannot. The US, from which Mr MacSharry and the EC have to extract a deal to avert trade hostilities next month, want real proof that he can deliver: a difficult proposition when the sceptical French are the Community's main food exporters.

The confusing swirl of Commission figures, and contrary French statistics on the impact of CAP reform and the farm trade obligations of a Gatt deal, will not easily settle into a stable pattern accepted by all. If economic forecasting and industrial trends are acknowledged to be sub-scientific, predicting the course of agriculture, vulnerable to vagaries such as the weather and a handful of multinational traders, is well-nigh impossible.

For the purposes of a Gatt deal, the reformed CAP looks like a gamble. But it is a gamble agreed by all 12 member states in May, and was passed into law in July. The bet is on future prices and production levels for food. Yet it is a bet placed within a new framework, which contains four main elements: two linked variables, and two constraints.

The Commission claims that CAP will cut the exportable surplus of cereals – linchpin of the reform and the most inflammatory part of the Uruguay Round farm chapter – to 19m tonnes in three years. It says Gatt would still allow subsidised exports of 23.5m tonnes after six years, assuming a worst-case outcome to the Washington talks of a 24 per cent cut in subsidised sales abroad (21.5 per cent is more likely).

France says CAP production cuts will be exceeded if export volume restraint exceeds 18 per cent. Beyond this figure, land taken out of production, or "set aside" under the CAP, would have to exceed the 15 per cent currently agreed. France may be right, up to a point. For the set-aside regime, which they also agreed to, is variable. It can go up or down depending on whether output is over or within EC projections.

Which brings in the second variable: price. The CAP aims to set EC prices at or near world market levels after three years, mainly through dropping the price of cereals by about a third. This is for premium grade grains; at least a third of output will be considerably below this price. In such circumstances, the Commission argues, there will be little Gatt restraint on exports, and EC produce will compete favourably with imports.

"The whole philosophy of the CAP reform is to become more competitive externally and internally," Mr MacSharry insists. "There's no limit on unsubsidised exports whatsoever." France clearly perceived this in its initial enthusiasm for the new CAP when it was agreed in May, and the disquieting prospect of a highly competitive EC farm sector is the unstated element in Washington's insistence on the firmest restraints possible on Community exports.

French concern in May was that prices would not be reduced enough, thereby imposing an informal quota through set-aside. If world market prices are reached by 1996, set-aside can be reduced; if not, France may be in the vanguard of a drive for lower prices if output exceeds expectations.

Additional to these two linked variables, the CAP has two constraints, in the form of a rigid budget and the new regime's freezing of crop yields eligible for subsidy.

The 12, including France, agreed to budget "guidelines" based on the Commission's output projections. These ceilings are contained in the "Delors II" future financing package, yet to be agreed, but were reaffirmed by the 12 heads of government at the Lisbon summit in June.

Put crudely, if output exceeds the projections, there will be no money to subsidise exporting the excess. "We'll hit a budgetary problem before we hit a Gatt problem," one Commission official says.

France is already moving its argument from querying the compatibility of Gatt with the CAP, to seeking extra compensation for farmers for any deal on the Uruguay Round and the oilseeds dispute with the US. But even if the budget goes up, Brussels insists the extra money will not go towards exports. Since the budgetary system was reformed by Commission president Jacques Delors in 1988, the Commission has resisted all efforts to breach the farm spending ceiling, including an attempt last year backed by Mr Delors.

The second constraint is that compensation for price cuts, and subsidy, is linked to past crop yields which are frozen. This is a disincentive to farmers spending on fertiliser and pesticide to extract higher tonnage for which they will not get their money back. Yields are already falling. French figures claiming that 38 per cent set-aside would follow a "split-the-difference" deal on oilseeds with the US (fixing output at a de facto 9.5m tonnes a year) are based on 1991 yields of 2.48 tonnes per hectare, whereas oilseed yields are in fact down to 2.08 tonnes a hectare.

In agriculture, statistics can be found for just about any prognosis. All the more reason why this argument is likely to develop into a forensic examination of whether the *mechanisms* in the new CAP are compatible with any Gatt deal with the US.

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US officials say discussions with the EC about farm output statistics have been "very confusing", David Dodwell, World Trade Editor, reports from Washington. "We have often not been sure that the Europeans are talking about the same thing, particularly at the top," one trade official said. The numbers are confusing because "they all have little tails on them – like "swing", "aggregation" and "flexibility", he added.

As a result, US farm trade negotiators have been particularly careful to provide tables supporting every set of proposals "so that there is no doubt about what we proposed". "The EC hasn't exactly accepted or rejected these concepts, so we don't know when they tell us a percentage with swing or aggregation whether they're talking about the same swing or aggregation," he said.

"These things make a difference to what happens each year, and cumulatively over six years." Asked for specific examples, he counselled against becoming entangled in the numbers: "I suggest, if we reach an agreement, that you just turn to the last page of the novel and see how it turns out."

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# Canada drug industry gives warning on cheap exports

By Bernard Simon in Toronto

CANADA's generic drugs industry has warned that the sale of cheap medicines to many third world countries will be jeopardised if proposed legislation to tighten patent protection for brand-name pharmaceuticals is passed.

The warning is part of a furious rearguard action being fought by the generic drugs industry against a bill, known was Bill C-91, introduced in parliament in Ottawa this week. The bill will extend the same 20-year patent protection to medicines as applies to other products. This fulfils Canada's pledges under the Uruguay Round trade talks.

It means the end of a 23-year "compulsory licensing" system which has allowed cheap, generic medicines to be distributed within a few years of the brand-name products. Compulsory licensing has made Canada's generic industry one of the world's biggest, with annual sales of C$400m (£188m).

The generic industry is angry that Bill C-91, which is likely to become law in the next few months, will be retroactive to last December. This provision would nullify pending compulsory licensing applications on about 35 products.

An official at Apotex, the largest generic producer, said the new licensing curbs would hamper exports, which make up a quarter of the company's total output. Apotex sells to 80 countries, from Vietnam to Morocco and Iran.

Apotex says many third world nations follow Ottawa's lead in approving medicines for sale. "If we're not licensed to sell it in Canada, we can't export it," the official added. The industry's contends that by delaying introduction of their products, the new law will raise drug costs.

Ontario's Drug Benefit Plan, providing free medicines to the elderly and welfare recipients, estimates generic products save it C$80m-C$100m a year.

The argument is complicated by drug companies' commitment to new research spending in Canada. Glaxo and Merck are among those recently opening new facilities. Health-care administrators acknowledge that costs can be contained by encouraging brand-name companies to develop new drugs to keep patients out of hospital.

The predicament of the provinces, which administer health-care services in Canada, is shown by a dispute over AZT, the Burroughs-Wellcome AIDS drug. Apotex has challenged Burroughs' AZT patent and is trying to persuade the provinces to buy its cheaper, generic version. Ontario has deferred a decision until the court case is resolved. Meanwhile, it is sticking with AZT.

Bill C-91 aims to contain drug costs by strengthening the Patent Medicine Prices Review Board powers. The board will be able to impose fines on executives of companies overcharging or making windfall profits.

# New offer by Chrysler in row over state aid

By Lionel Barber in Brussels

CHRYSLER and the Austrian government yesterday submitted a new offer to the European Commission aimed at heading off duties on diesel-powered Voyager minivan imports into the EC.

The new offer would have the effect of reducing the overall level of state aid to the Chrysler plant near Graz to almost 16 per cent – less than half its original level.

The Commission had earlier decided to impose the 10 per cent duty on the Chrysler vehicles, but delayed for two weeks to allow time for a revised offer. The deadline expires today after which Council of Ministers are expected to rubber-stamp the decision to impose duties.

Last night, the parties were discussing the latest offer at a meeting in Brussels. Austrian officials voiced optimism that a compromise could be found, but some EC officials cautioned that some technical difficulties needed to be resolved.

The Chrysler case is sensitive for Austria, which is about to open negotiations on its application to join the EC.

The 1972 free trade agreement between Austria and the EC outlaws subsidies which distort competition in the Community.

# Iraq silent on list of nuclear suppliers

**IRAQ continues to balk at United Nation demands to provide lists of suppliers for its weapons programme, the head of a UN inspection team said yesterday, Reuter reports from Manama.**

**Speaking on his return from a 10-day mission to Iraq, Mr Dimitri Perricos said Baghdad had still not complied with UN Gulf war ceasefire requirements to name suppliers of materials for its nuclear programme.**

**"So long as they are not replying to this, it is considered a violation," Mr Perricos said. He said that disclosure of the supply network was "an absolutely essential part of breaking the backbone of the programme."**

**Mr Perricos, a scientist from the UN International Atomic Energy Agency in Vienna, told reporters before leaving Baghdad that the UN was still not ready to give the Iraqis "a clean nuclear health bill."**

## US to improve ties with Vietnam

**President George Bush yesterday said in a letter to Vietnamese President Le Duc Anh that Washington would take action to improve relations with Hanoi, Reuter reports from Hanoi. US Senator John Kerry said the promise was in response to a big increase in Vietnamese co-operation in recent months to help resolve the fate of US servicemen missing from the Vietnam war.**

**Mr Kerry was speaking at the end of a three-day visit.**

**He did not say whether Washington might ease or lift the trade embargo it imposed in 1964 or move towards opening diplomatic relations with Vietnam.**

**The letter was the first direct communication by a US president to a Vietnamese leader since 1973, when then President Richard Nixon ended the US combat role in Vietnam.**

## Philippines may set up new bank

**The World Bank has asked the Philippines to look at the feasibility of setting up a new bank that would cater to the needs of local exporters suffering the effects of a strong peso, Reuter reports from Manila.**

**"I think they are biased towards a separate institution like a Philippine Eximbank [export-import bank]," trade and industry secretary Rizalino Navarro said.**

**He said the proposed bank could tap a $150m export development fund from the World Bank.**

**Mr Navarro said one alternative open to the government was to convert an existing export-oriented institution.**

**An Eximbank is seen as an ideal solution to local exporters' financial woes since it could provide long-term concessional loans and be used as a conduit for development funds, officials said.**

**The government could convert the Philippine Export and Guarantee Loan Corp (Philguarantee) into an eximbank, Mr Navarro said. But the cash-strapped company would have to be nursed back to health, he said.**

# Bhutto barred from entering Islamabad

By Farhan Bokhari and agencies in Islamabad

THE PAKISTAN government yesterday banned opposition leader Ms Benazir Bhutto from the capital, Islamabad, for 30 days and ordered her deportation to the southern city of Karachi.

Officials said she had not been arrested but had been taken into protective custody. No charges had been brought against her.

Ms Bhutto had attempted to lead an opposition anti-government protest march from the city of Rawalpindi to the parliament building in neighbouring Islamabad.

Early in the day, police attacked Ms Bhutto and her supporters with batons after they broke through barbed-wire barricades erected around her house in Islamabad. Ms Bhutto, who wore a bullet-proof vest, was hit several times.

As she sped to the neighbouring city of Rawalpindi to begin the march, police fired dozens of tear-gas shells at her vehicle. Then, as she drove along the 11-mile route from Rawalpindi to Islamabad, police stopped her, forced her driver to get out of the vehicle, and took over the steering wheel.

"My arrest won't make any difference. The struggle will continue," Ms Bhutto told a crowd – estimated in some reports at 30,000 to 40,000 – in a brief address before being driven away. After her arrest, the angry crowd battled thousands of riot police in Rawalpindi.

Other leaders of the opposition coalition People's Democratic Alliance were taken into custody, as well as dozens of opposition party members among them several members of the National Assembly. Ms Bhutto's mother, Mrs Nusrat Bhutto, was arrested while trying to leave Lahore to join the demonstration.

Tight security measures were in effect across Pakistan to prevent Bhutto supporters from travelling to Rawalpindi. Clashes were reported in Lahore and Peshawar. In Islamabad, troops were deployed around the parliament building and at road intersections.

Yesterday's planned march represented the biggest challenge yet to the government of Mr Nawaz Sharif, prime minister, elected after Ms Bhutto was sacked for alleged corruption by President Ghulam Ishaq Khan in 1990. Ms Bhutto claims that the government is corrupt and is seeking its dismissal and new elections.

It was unclear whether the opposition would press ahead with demonstrations in the face of the government's show of force.

# Roh 'abducts' brother-in-law

By John Burton in Seoul

SOUTH KOREA'S presidential election took a bizarre turn yesterday after President Roh Tae-woo allegedly ordered his MP brother-in-law to be briefly "abducted" to prevent him from joining an opposition party.

The affair is the latest intervention by the president to keep the ruling Democratic Liberal party (DLP) from splitting just a month before the election.

But the episode could damage the electoral chances of Mr Kim Young-sam, the DLP presidential nominee, as well as the reputation of Mr Roh, who earlier promised to stay neutral in the campaign as part of the country's democratic reforms.

Mr Kim Bok-dong, a DLP legislator and the president's in-law, was stopped and abducted by plain-clothes policemen on Tuesday evening as he was driving to his constituency in Taegu, where he was scheduled to announce his defection to the opposition United People's party (UPP), according to an aide to Mr Kim.

Mr Kim was brought back to Seoul and a breakfast meeting at the Blue House, the executive mansion, with Mr Roh. The MP later said that he would stay with the DLP, although he acknowledged his interest in joining the UPP.

Mr Kim's defection posed a potential threat to the DLP. UPP officials claim Mr Kim's departure would have encouraged as many as 30 other MPs from the ruling party to join the UPP and eliminate the government's parliamentary majority.

The UPP was formed this year by Mr Chung Ju-yung, the founder of the Hyundai business group.

The Blue House dismissed the incident as "a family affair". But the UPP and the main opposition Democratic party (DP) said the action violated the government's pledge of neutrality, with the UPP demanding the resignation of the caretaker cabinet appointed to supervise the presidential election.

Members of Mr Roh's majority faction in the DLP have threatened to leave the party because of their dislike of Mr Kim Young-sam, a former opposition leader who became new DLP president this summer. Although the revolt is being staged by his political allies, Mr Roh fears a party split would allow Mr Kim Dae-jung, the DP presidential candidate, to win the election.

A small group of conservative MPs left the DLP last month to form the New Korea party. But Mr Roh defused that threat by persuading several prominent Koreans, including the leaders of the Daewoo business group and the Posco steel company, not to accept the NPK's presidential nomination offer.

KOREANS DEMONSTRATE: Relatives of victims of the 1983 downing by Soviet fighters of a Korean airliner, which killed all 269 people on board, protest yesterday outside the Russian embassy in Seoul before President Boris Yeltsin's arrival in South Korea

# N Korea threatens to quit all talks

**NORTH KOREA yesterday threatened to suspend all negotiations with South Korea in the latest sign of increased tension between the two sides, writes John Burton in Seoul.**

**Progress in inter-Korean relations has been blocked by Pyongyang's refusal to accept challenge inspections by Seoul of suspected nuclear weapon facilities.**

**However, other issues have contributed to the stalemate in recent weeks.**

**South Korea last month announced the discovery of a North Korean spy ring and demanded an apology from Pyongyang, which has dismissed the incident as a "fabrication".**

**Seoul and Washington also recently said that they would resume the joint "Team Spirit" military exercise next year after suspending it this year due to North Korea's acceptance of scheduled nuclear inspections by the International Atomic Energy Agency.**

**Seoul is following a carrot-and-stick policy in persuading Pyongyang to accept challenge nuclear inspections. While offers of economic aid to Pyongyang are the carrot, Team Spirit represents the stick. Pyongyang said at yesterday's session of the bilateral Joint Nuclear Control Commission that it would cancel meetings with the South, including the prime ministers' talks in December, unless Team Spirit is cancelled.**

# France and Taiwan cement $2.6bn jet fighter contract

By William Dawkins in Paris

TAIWAN has obtained a long-awaited agreement from France to buy 60 Mirage 2000-5 multi-role jet fighter aircraft for $2.6bn (£1.7bn), according to newspaper and radio reports from Taipei.

Neither the Paris government nor Dassault, the French aerospace group which makes the Mirage fighter, would comment on the deal, the latest stage in the island's attempts to boost its defences against a military build-up in China and as such likely to spark a diplomatic row between Beijing and Paris.

But they did not deny the report. It comes two months after a US decision to sell up to 150 F-16 jet fighters to Taiwan for $5.8bn, seen as a factor in resolving French hesitation.

If confirmed, this will be the second big recent French defence sale to Taiwan, after last year's $4.8bn sale of 16 frigates, never officially announced. The Mirage sale would also include 1,500 missiles, bringing the total contract value to $3.8bn, said Taiwanese press reports.

China has objected strongly, causing Paris to pause before jeopardising already strained relations with a powerful ally. The Beijing Foreign Ministry yesterday warned that China was "firmly against" such a project. However, China took no significant steps against France over the frigate sale, beyond voicing loud objections, and has countenanced recent defence equipment sales to Taiwan from Germany, Belgium and Italy.

France is China's second largest aid donor after Japan, with FFr30bn (£3.7bn) of credits and cheap loans outstanding and an important investor there.

The deal would be a godsend to Dassault, which has not had a single military export order for four years and badly needs new business to give a lift to its dwindling profits.

Dassault, 46 per cent state-owned, makes nearly three-quarters of its sales to the French military.

Like many of its counterparts, the French Defence Ministry has been forced to curb spending, even to the extent of trimming orders for the Rafale, Dassault's future jet fighter due for delivery from 1997.

The Taiwan deal would be a boon to the French defence industry generally, at a time when export sales, at FFr34.2bn last year, are stagnating. Other potential beneficiaries are Thomson-CSF, the defence electronics group which supplies radar for the Mirage 2000-5, and Matra, supplier of air-to-air missiles.

# Indian brokers end strike

By R. C. Murthy in Bombay

INDIAN stockbrokers yesterday called off a boycott and resumed trading on the Bombay bourse after a call from the Securities and Exchange Board of India (Sebi), the market watchdog, to restore normal trading before it would discuss their grievances.

The brokers were protesting at the introduction of hefty registration fees.

Mr G. V. Ramakrishna, chairman of the Sebi, told a Bombay stock exchange delegation that wildcat strikes on stock exchanges would not be tolerated. But Mr Ramakrishna held out an olive branch offering to give immediate attention to genuine problems brokers might have.

Presidents of all the big stock exchanges will meet in Bombay on November 23 to discuss the brokers' complaints. The brokers are claiming that the registration fee is a form of turnover tax.

# Approval sought for HK airport funding

THE future of Hong Kong's new airport will move back onto the agenda today when the Hong Kong government approaches the local legislature for approval of a big works contract, writes Simon Holberton in Hong Kong.

The government is expected to present financial plans to an ad hoc committee of the Legislative Council (LegCo) for the funding of a contract to build the site for the colony's Chek Lap Kok airport, north of Lantau island.

The HK$9bn (£760m) contract was let provisionally in the summer to a multinational consortium, which later agreed to extend the validity of its bid to the end of this month. The government is hopeful that LegCo will approve the funding when the finance committee debates the issue tomorrow week.

If the funding is not approved soon then it is unlikely the "airport platform" – as it is known – could be completed in time to allow the airport proper to open before mid-1997, when Hong Kong reverts to Chinese sovereignty.

The government told China of its plans to press ahead with the building of the platform last Friday. It was warned, however, of pursuing a "go it alone" policy and told that Beijing's consent to franchises to operate airport services would be held up if it did so.

Hong Kong government officials have denied that they will build the airport without China's approval. They say the Anglo-Chinese memorandum of understanding relates to works and business franchises which straddle 1997.

● Share prices fell sharply for the second day in succession yesterday as international investors sold amid continuing concerns about the rift between the UK and China over democracy in Hong Kong.

The Hang Seng Index closed 240.19 lower at 5,848.33, nearly 4 per cent down on Tuesday.

# Thai trader accused of manipulation

By Victor Mallet in Bangkok

THAILAND'S six-month-old Securities and Exchange Commission yesterday accused a leading stock market trader of manipulating share prices and ordered the suspension of trading in Bangkok Bank of Commerce shares.

The SEC said it had filed a case with the police against Mr Song Watcharasriroj, better known as Sia Song, and his associates for "alleged breach of securities law on price manipulation and the takeover code." Mr Song has announced a 10.66 per cent personal holding in the bank, but he and his associates are reported to hold more than 25 per cent, which would oblige them to make an offer for the rest of the bank, Thailand's ninth largest. They have not done so.

The SEC's move yesterday follows a concerted effort by the central bank and the finance ministry to restrict speculation on the stock exchange and reduce the amount of credit extended by stockbrokers to their clients for buying shares.

Thai share prices rose sharply after May, when troops killed about 50 pro-democracy demonstrators in Bangkok, and continued to rise following the election of a civilian coalition government in September, but they have started to fall back in response to the credit squeeze.

Yesterday the SET index fell 23.45 points, or 2.6 per cent, to 868.04 on news of the proposed prosecution of Mr Song.

An SEC statement said: "This action is carried out by the SEC board to protect the interest and stability of the country's financial system and of the majority of stock investors.

"The SEC board hopes that [the action] will not have a serious impact on the stock market or the work of finance and securities firms as a whole."

Mr Reg Clough, a spokesman for the bank, was quoted as saying that 11 arrest warrants had been issued for Mr Song and his associates.

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# S African cabinet seeks to defuse army scandal

By Philip Gawith in Johannesburg

THE South African cabinet yesterday sought to restore the government's reputation in the face of accusations that army intelligence had sought to subvert the African National Congress (ANC).

Further pressure on the government came yesterday from Mr Harry Schwartz, the South African ambassador to the US, who said he was "furious and outraged" at the Goldstone Commission disclosures.

"It has undermined all our effort here, all the hard work that so many people have put into changing our situation here. There can be no room for this sort of thing in South Africa," said Mr Schwartz.

The scandal broke on Monday when Mr Justice Goldstone, appointed by the government to probe the causes of political violence racking the country, accused military intelligence of seeking to involve the ANC's armed wing in common crime.

The revelations are a considerable embarrassment to the government as they cast doubt on the veracity of previous pledges to stop covert campaigns against political opponents. They also impede efforts to revive the constitutional negotiation process, stalled since May.

The ANC has called for an expanded judicial inquiry into the military, echoing Judge Goldstone's own request for wider powers, more resources and greater co-operation in carrying out his investigations.

Meanwhile, Mr Gene Louw, minister of defence, said he "seriously disputed" several of Judge Goldstone's statements about the affair.

# Nigerians ponder political uncertainty and economic crisis

**Michael Holman** analyses why the country is facing the most critical period in the 32 years since it became independent

WITH a mixture of resignation and apprehension, Nigerians are preparing for one of the most critical periods in their country's turbulent 32-year post-independence history, beset by political uncertainty and gripped by a deepening economic crisis.

No one was surprised when General Ibrahim Babangida announced on Monday that the presidential election due be held next month would be delayed until June. Presidential primaries last August had been marred by rigging and other electoral malpractices by both the Social Democratic party (SDP) and the National Republican Convention (NRC).

But doubts surrounding the country's transition to civilian rule are unlikely to be set at rest by yesterday's decision. Both parties have to rebuild in the wake of the president's earlier decision to sack their executives, a task made more difficult by Monday's ban on all 23 presidential candidates from contesting the new round of primaries.

Nor is it clear how the authorities will be able to eliminate the electoral fraud that seems endemic, judging by past polls in 1979 and 1983.

For many Nigerians, a civilian government, whatever its credentials, remains the lesser of two evils. Hence the forthright warning from Olusegun Obasanjo, the retired general who led Nigeria's military government from 1976 to 1979 before handing over to a civilian administration, toppled in a 1983 coup.

Stick to January, he urged Gen Babangida: "Any prolongation of military rule...will amount to war against the sovereign rights of people in Nigeria to choose their own leaders."

Yet a weak civilian government invites military intervention, and this remains uppermost in Gen Babangida's mind, say government officials. It may well be that he set himself an impossible task when he set about reforming Nigeria's political system.

"It will not be an overstatement," an editorial in the Vanguard newspaper declared in 1986, soon after the launch of the transition programme, "to say that Nigeria in all the years of her independent existence, has not even started to approximate the prerequisites for building a modern nation state."

"Economically, unbearable poverty is still the highest common denominator. Politically, disorder has become the basic mode ... Socially, we are bewildered by our own decay and morality ...especially of the elite class."

In a laudable but ultimately impractical attempt to root out corruption in politics and override ethnic and religious allegiances, President Babangida imposed the SDP and the NRC on Nigerians.

Their manifestos, written by civil servants, were broadly similar, committing the parties to the economic reform programme which Gen Babangida hoped would be the second part of his legacy to Nigeria.

The programme, launched in 1986, has effectively lapsed. A further devaluation of the Naira last March appeared to signal a fresh start, but by mid-year it was clear that fiscal and monetary targets were not being met. A policy agreement with the IMF has not been renewed, and prospects of an early agreement are remote.

The painful consequences is that one of the greatest single obstacles to economic recovery remains unresolved: Nigeria's crippling $30bn external debt.

Last year, notes a recent World Bank report, debt service obligations totaled nearly $6bn, compared with export earnings of $12bn.

The servicing burden was eased at the start of this year when the government implemented an agreement with commercial bank creditors. Some $3.3bn was converted under a cash buyback option, while the remaining $2bn was exchanged for collateralised bonds.

While this significantly reduced the debt, it was of little comfort to the average Nigerian. After five years of the structural adjustment programme, external debt had risen from $19.6bn in 1985 to around $30bn today.

The economic balance sheet has further disturbing figures. External debt servicing commitments on current projections will run at around $5bn a year for the rest of the 1990s.

"This is not compatible with any recovery programme," said a senior donor official yesterday. "Nigeria is a net exporter of capital – how can it revive its industrial sector or revive social services under these conditions?"

"Nigeria is now in a vicious cycle," he continued. "Mismanagement and corruption means that there will be no debt relief. But without debt relief, the economic crisis deepens, and the solutions become more difficult."

Even the most sympathetic of donors concede, however, that the statistics tell only part of the story. Much of the money borrowed during the boom years of the 1970s was squandered on projects either misconceived or mismanaged, invariably involving vast kickbacks. Far from obtaining a sound return on money invested in telecommunications or steel, these sectors are a liability – inefficient and costly drains on resources.

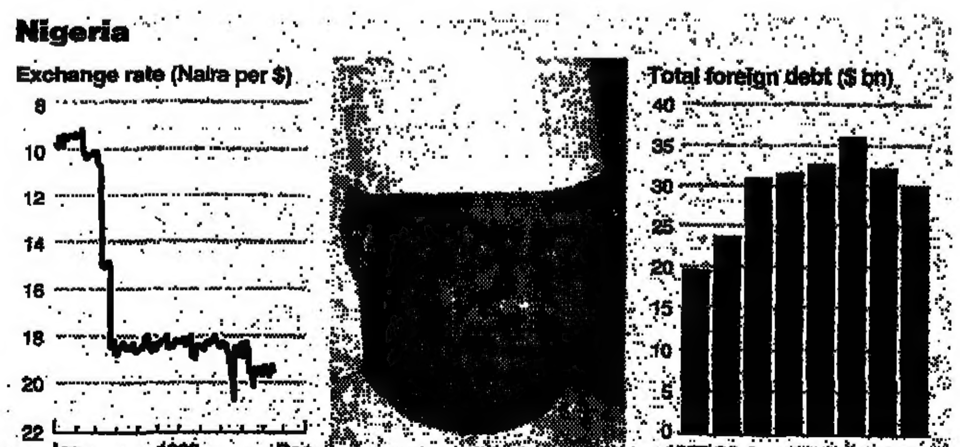
Critics make a second point. Had Nigeria followed through with the reforms initiated in 1986, and kept to the terms of successive IMF agreements, the country would today be eligible for the so-called Trinidad terms. In theory around half of Nigeria's $17.8bn Paris Club debt could be written off.

In practise,it would have proved less, for some of the Paris Club governments are less supportive of the terms than others. But Britain at least, Nigeria's largest official creditor, would have been willing to act.

At the same time, Nigeria's drastic fall in per capita income from around $1,000 at the end of the 1970s (a figure distorted by an unrealistic exchange rate) to under $300 could have been cushioned. The country is eligible for concessionary borrowing from the IMF under the Fund's extended structural adjustment facility. But the essential precondition is IMF endorsement of economic policy.

Now in his eighth year in office, Gen Babangida is presiding over a country in disarray. "We want to go down in history as having staked our credibility on a visible and democratic workable third republic," he told Nigerians on Monday night. History may well come to a different conclusion.

**Nigeria**



Source: Datastream

President Babangida

Source: World Bank

## ARMS FOR IRAQ – THE MATRIX CHURCHILL SCANDAL

# Party leaders claim Major misled MPs

By David Owen, Tony Jackson and Ralph Atkins

THE LEADERS of Britain's main opposition parties last night joined forces to accuse Mr John Major of misleading Parliament in his statements about government guidelines covering the sale of arms-related equipment to Iraq.

In separate open letters released as the Labour party announced it was calling a Commons debate on the subject next Monday, Mr John Smith and Mr Paddy Ashdown, highlighted repeated government pledges that 1985 guidelines had been consistently applied and contrasted them with Downing Street's admission to journalists that changes had taken place.

"Any objective analysis of the statements made by John Major and other Ministers must reach the conclusion that Parliament and Members of Parliament have been consistently misled on this issue," Mr Smith wrote.

The Labour leader called on the prime minister to "now apologise" to Parliament. It was "extraordinary" that Mr Major had "so categorically denied" that ministers had misled MPs in Prime Minister's questions on Tuesday, when Downing Street was "telling journalists that the 1985 guidelines were changed in December 1988, following the ceasefire between Iran and Iraq."

The softer tack taken by Mr Ashdown was rather to ask Mr Major to explain "this discrepancy". "Were you badly briefed by your officials – did you mistakenly inform me and the House in your previous statements and letters – or is this all part of what many are now increasingly regarding as a high level and systematic action which has had the effect of misleading Parliament?", the Liberal Democrat leader asked.

In a strongly-worded motion for next week's debate, Labour charged that as a result of the "private change of policy British servicemen may have been exposed to fire from shells and rockets made in munitions factories equipped by Britain."

"The conduct of ministers in this matter has been inconsistent with the security of British troops, with open government, and with the just administration of legal process," it continued.

"Her Majesty's Government was granting export licences for the supply to Iraq of defence equipment and munitions machines in clear breach of the Howe Guidelines of 1985 preventing the export of equipment that would significantly enhance military capability."

Mr Major is expected to be absent for the debate which will be opened by Mr Robin Cook, Labour trade and industry spokesman.

Labour said last night it would use the debate to set out the case against the government and the questions that it hoped Lord Justice Scott's inquiry would be able to answer.

The 1988 change was first publicly alluded to in the all-party trade and industry select committee's report into the supergun affair, published in March. But it first attracted widespread attention following the release of previously restricted Whitehall documents during the Matrix Churchill case last week.

This brought to light an April 1989 letter signed by the private secretary of Mr William Waldegrave, then foreign office minister. It said: "We agreed that we should continue to interpret the guidelines more flexibly in respect of Iraq, as we have done in practice since the end of last year." The letter was addressed to Mr Alan Clark, then trade minister.

Downing Street, which had no immediate response to yesterday's correspondence, has argued that the 1988 changes were not "significant."

Labour co-ordinated yesterday's attack on the prime minister with publication of a list of British companies – including such well-known names as Rolls Royce, ICL and British Aerospace – which it said had been "implicated" in the supply of defence-related equipment to Iraq.

Most of the companies named denied that the list contained anything new. However, Mr Gerald James, former chairman of Astra Holdings, named in connection with the Iraqi supergun affair, said "it's high time someone stripped away all the hypocrisy and deception and put it all on the table."

British companies alleged to have traded with Iraq yesterday claimed the information was either not new or did not relate to defence. British Aerospace reacted dismissively to its inclusion, along with the Royal Ordnance arms manufacturer which it took over in 1987. The company said it adheres to government approvals in all its activities. ICL, the UK-based computing services company controlled by Fujitsu of Japan, said it had supplied computer peripherals to Iraq but denied any trade regulations had been breached.

Racal, the electronics company, said to have supplied radios, claimed its trade had "the full knowledge of the government". The list also includes three companies – Astra Holdings, Walter Somers and Sheffield Forgemasters – involved in supplying components for the Iraqi Supergun project. But a 1990 legal case in connection with the Supergun affair against Walter Somers was dropped because of insufficient evidence.

### THE TRAIL OF WEAPONS AND EQUIPMENT TO BAGHDAD

# Opposition asks who pulled the trigger on smoking gun

**The arms to Iraq affair has become a question of competence, writes Philip Stephens**

THE government was guilty. John Major is innocent. Such was the judgment offered by a former member of the Thatcher government on the Iraq arms trade saga. As the story unfolds, it looks as good an assessment as any of the state of play so far of what Mr Alan Clark refers to as the "actualité".

The charge of government guilt was not meant to imply a great conspiracy to arm Saddam Hussein. For all the talk of a smoking gun, nothing has emerged so far to suggest that ministers and their officials conspired from their smoke-filled government offices to help build the Iraqi war machine.

We now know, for example, that officials agonised before granting an export licence for four, yes four, shotguns destined for Baghdad. Many other borderline requests were turned down.

But Downing Street has as much as admitted that the documents now in the hands of the media demonstrate that overall the government's behaviour in private was not consistent with its public stance.

After the ceasefire which ended the Iran-Iraq war in 1988, the guidelines restricting defence-related sales were relaxed, in effect allowing the export of more "dual-use" equipment.

Clever officials drafted parliamentary replies which encompassed this shift but which effectively concealed it from MPs. The government insists now the rules were "re-interpreted" rather than changed. But nine months ago it admitted to the Commons trade and industry committee that one clause in the guidelines had been replaced.

This all leaves enormous scope for semantic arguments when Lord Justice Scott's inquiry gets under way. We can expect all sides to consult their dictionaries to determine what constitutes a change of policy and what can be more reasonably described as a re-interpretation.

The debate will be important because in the last resort the affair will damage the government only if it is proved that ministers consciously misled parliament over the guidelines.

Ordinary people may judge that the most important issue is whether companies or politicians broke the law. Or whether ministers would have happily allowed three directors of Matrix Churchill to go to jail to avoid the release of some embarrassing papers.

But such are the peculiar values of Westminster that more often than not politicians are punished not for the act of wrong-doing but for attempting to conceal it from the House of Commons.

Some his erstwhile colleagues hope that Mr Clark – at the centre of the web in his roles as a trade and then a defence minister – will be "fall guy".

But there is also considerable anxiety in Whitehall about the police investigation into Mr Clark's apparently conflicting statements. If there are skeletons to be found – and it is clear that Matrix Churchill is far from alone in supplying controversial equipment – Mr Clark knows which cupboards to open.

That leads on the Mr Major's role. So far there is no evidence that during his brief sojourn as foreign secretary or during his longer spell as chancellor Mr Major had anything that could be called a significant role in the discussions over trade with Iraq.

But both Mr John Smith and Mr Paddy Ashdown judge that his failure in subsequent exchanges to acknowledge that the guidelines were relaxed in 1988 leaves him vulnerable to charges of abetting a Whitehall "cover-up".

The opposition leaders want to harry Mr Major into making mistakes. They want to implant also the notion that the only excuse he can offer for not knowing the full story is incompetence. If it not a question of guilt, the opposition argument runs, then it is one of competence.

Mr Major is taking the row seriously. He spent much of the weekend in 10 Downing Street poring over the files to confirm his recollection that he was not implicated.

Sir Robin Butler, his cabinet secretary, was relaxed enough to go off to watch the South African rugby team. The prime minister thought it more important to draft a detailed rebuttal of Labour party charges.

But he must be careful. His obvious irritation at what he regards as scurrilous accusations may provoke mistakes. Last week he blamed Mr Clark for misleading him. This week he issued a blanket assertion that past ministers had not misled parliament. It is difficult to square the two. Mr Major has to demonstrate that he is competent as well as innocent.

# Blue Circle plans big cutback in workforce

By Andrew Taylor, Construction Correspondent

BLUE CIRCLE, Britain's biggest cement manufacturer, will announce plans today to cut its workforce by a fifth in response to the continuing recession in the UK construction industry.

The company is expected to announce that more than 500 jobs will go as a result of a series of kiln closures at its 10 UK plants.

The move is expected to reduce Blue Circle's annual capacity by about 1m tonnes to 7m tonnes.

This compares with company sales of just under 6m tonnes forecast for this year – accounting for just under half of the cement market in Britain.

The cuts will be a further blow to the UK construction industry which has lost more than 400,000 jobs since the summer of 1989 and which expects further redundancies next year.

Annual sales by UK cement manufacturers have fallen by a third since 1989, from 17.5m tonnes to just under 12m tonnes.

The cement industry has warned that sales could slide further in 1993 with UK construction output forecast to fall by up to another 2 per cent next year.

Blue Circle, which has been operating its plants at under 75 per cent of capacity, is understood to have decided that it can no longer postpone kiln closures given the depth of the recession and the delay in recovery.

After the latest cuts, the UK's three largest cement manufacturers, Blue Circle, Castle and Rugby which produce more than 95 per cent of cement sold in Britain, will have annual capacity of 13m tonnes, about 1m tonnes more than current sales.

# MacGregor backs road pricing

By Richard Tomkins, Transport Correspondent

MR JOHN MacGregor, transport secretary, yesterday signalled that motorists would have to start paying for the use of the roads in UK cities in the next few years.

Tolls would be collected electronically, with in-car meters activated by roadside transmitters clocking up charges according to distance travelled, type of vehicle and time of day.

Mr MacGregor appears to have accepted that charging people on a pay-as-you-go basis is likely to provide the only feasible long-term solution to worsening traffic congestion in urban areas. He also has the support of environment ministers who strongly favour road user charges as a means of curbing the rise in carbon dioxide emissions accompanying traffic growth.

Speaking at a London traffic conference yesterday, Mr MacGregor effectively launched a campaign to soften up public opinion in readiness for the introduction of road pricing.

He said no firm decisions would be taken before the completion of a three-year feasibility study at the end of 1994, but his intention was to get a debate going in the run-up to the report's conclusions. Mr MacGregor acknowledged that road pricing was likely to prove unpopular, but said the alternative could be even worse, "is increasing congestion, and ultimately gridlock, a more attractive option" he asked.

Road pricing would speed up journey times and cut transport costs, he said. It would also boost trade and commerce by making cities more attractive places in which to live, shop and work.

Yesterday's initiative marks an about-turn from the policies of Mrs Thatcher's government, which ruled out road pricing as an infringement of the motorist's right to drive.

# Tax collection costs rise sharply

By Andrew Jack

THE COST of tax collection in Britain increased sharply during 1991-92 to the highest level in at least five years, the Inland Revenue's annual report showed yesterday.

Costs as a proportion of revenue collected rose to 2.06 per cent – a total of £1.6bn – compared with 1.7 per cent last year and 1.61 per cent in the previous 12 months.

The Revenue stressed that the average cost of collection was only a partial indicator of performance, and was influenced by changes in the structure and level of tax and movements in income and profit as well as departmental efficiency.

It said nearly half of the increase was the result of the new bank and building society interest arrangements, and the balance reflected a 3 per cent increase in expenditure above inflation and a 3 per cent fall in tax yield.

Setting up the new arrangements for tax and building society interest totalled £163m for 1991-92 and £46m for 1990-91.

Total tax received was £101bn, offset by repayments of £21bn. The Revenue collected a further £37bn on behalf of other government departments, principally from National Insurance contributions which are levied to pay for state security and health benefits.

Tax yield from tackling non-compliance rose by more than one quarter to £5bn, including a contribution of £1.7bn from counter evasion and counter avoidance.

The proportion of tax unpaid from total collectible rose from 62 per cent to 64 per cent, in line with the target for the Revenue's collection offices.

The proportion of days in the year on which cheques received were banked on day of receipt fell from 99.2 per cent to 95 per cent, against a target of 100 per cent.

# Storm as school rankings released

By Andrew Adonis

PUBLICATION by the government of this year's GCSE and A-level examination results for secondary schools in England caused fierce controversy yesterday.

Mr John Patten, education secretary, hailed the exercise – involving the publication of 3m booklets – as central to the Citizen's Charter, enabling parents to make informed choices about schools for their children.

Opposition parties, teachers' unions and an array of educationalists denounced the results tables as seriously misleading because they presented "raw" results, making no allowance for socio-economic factors.

The booklets detailing results achieved by all state schools and about a quarter of private schools will be distributed under the Parent's Charter, at a cost of £1.4m. Separate booklets for each of England's 108 local authority areas will be available through schools, libraries and from telephone request lines.

Ranked by GCSE performance, London boroughs come top and bottom of the list. After the Scilly Isles, with their one secondary school, came the London boroughs of Harrow and Kingston. Tower Hamlets, Barking and Southwark, all of which have large areas of deprivation, come bottom.

Mr Patten said the tables "mark the start of an information revolution, bringing an end to a system which has too often denied parents the right to know how schools are performing".

In contrast, the National Confederation of Parent Teacher Associations, condemned the tables as "lies, damned lies and school exam statistics".

Mrs Ann Taylor, Labour's education spokesman, said: "No parents should set too much store by raw results which cannot reflect the real achievements of schools – unless viewed with caution tables could unfairly damage the reputation of a school."

Yesterday's tables are only the first instalment. Next year all primary schools will be included with their results in the national tests for seven-year-olds.

# UK considers policy on human genetics

By Clive Cookson, Science Editor

The UK government is considering establishing a national policy on human genetics – an area in which research is moving very quickly and raising important regulatory and industrial issues.

The policy could include guidelines to cover controversial areas such as patenting human genes and preventing discrimination against carriers of inherited diseases. It could also lay down a strategy to enable industry, particularly drug companies, to benefit from genetic research.

The Office of Science and Technology (OST) – set up after the general election under Mr William Waldegrave – has decided genetics is a particularly important area of science which could benefit from such a co-ordinated approach. If the effort is successful, it could be a blueprint for similar action by OST in other fields.

Researchers are discovering thousands of new human genes every year. Within 15 years they expect to have decoded all of the 100,000 genes which provide the blueprint for human development from the foetus to old age.

The issues covered by the OST review are likely to include:

- **Ethics** – how to protect the rights of individuals and families who are carrying genes that dispose them to serious diseases such as cancer.
- **Ownership** – the terms under which researchers can patent human genes and exploit them commercially.
- **Research** – how to co-ordinate programmes in the UK with similar efforts elsewhere.

# Government decides to simplify company law

By Andrew Jack

THE GOVERNMENT is to launch a detailed review of company legislation in preparation for a bill which could be in the parliamentary programme for the next session.

In a speech in London yesterday, Mr Neil Hamilton, minister for corporate affairs at the Department of Trade and Industry, outlined his intention to review the 1985 Companies Act, the principal piece of company legislation since 1948.

Mr Hamilton said the review would focus on areas which have become "unduly burdensome or ineffective". A number of recent corporate failures had raised questions about the effectiveness of existing legislation and he outlined three principal "reform candidates":

- Simplifying and distinguishing public companies from private companies in the act's requirements, which were scattered throughout existing legislation. The aim would be to reduce burdens on private businesses where there was no severe threat to protection of the public.
- Tightening the act to ensure the enforcement of regulations for fair dealing by directors of companies.
- Clarifying the extent to which companies could assist people to buy shares on their behalf.

The review is also at first designed to cover about 17 other areas, including disincorporation of limited liability companies, insolvency proceedings concerning Company Voluntary Arrangements, directors' transactions and the clauses dealing with the objects of a company.

Mr Hamilton stressed that it would be part of a "rolling programme" of reform. There would be an initial period of discussion with organisations such as the Law Society followed by consultative documents on specific issues over the next few months. He said he wanted submissions to be prepared by next summer so that the DTI could be ready with amendments if the government could find sufficient parliamentary time during the next year.

- Publication of official statistics on trade between companies in EC member states will be substantially delayed because of the introduction of the single market in January.

Intra-EC trade figures – an essential part of the UK's balance of payments statistics – will be unavailable at least until June while British businesses adjust to a new system of statistical collection, called Intrastat.

It has emerged, meanwhile, that companies could face criminal penalties for not filing the new documents on time.

Intrastat is being created to provide the trade statistics previously compiled from documents handed by exporters and importers to Customs officials at national borders.

Companies with imports or exports to other EC countries totalling more than £135,000 a year will be expected to complete monthly Intrastat returns, which are more concise than existing documents.

## Britain in brief

### Rail union attacks Tube management

THE RMT rail union has accused London Underground of "reckless disregard" for passengers' safety as plans were drawn up for next week's all-out Tube strike, called in protest against the most radical pay and conditions shake-up on London Underground in 40 years.

London Underground dismissed the accusation as "absolute and utter nonsense". The company – which has claimed that it has enough staff willing to run a strike-breaking service – said it would not operate outside safety rules.

RMT general secretary Mr Jimmy Knapp, speaking on the fifth anniversary of the King's Cross fire disaster, said: "London Underground's statement borders on recklessness. Not only are they coercing staff, they now appear willing to put passengers' lives at risk in their determination to impose new conditions on staff."

### Executives condemn bill

Directors whose companies build a stake in another in advance of launching a take-over bid could become guilty of a criminal offence if the government goes ahead with proposed legislation, the Institute of Directors and the Law Society claimed.

In the latest broadside against proposed new insider dealing law, the two organisations added that directors could be liable to prosecution under a wide range of circumstances, such as when their companies bought their own shares in the stock market. The concern stems from the perceived inadequacy of an exemption in the Criminal Justice Bill, which is currently passing through Parliament.

### Barclaycard rates cut

Barclaycard is to cut interest charged on card loans by two percentage points from January 1. The company said the cut will reduce its annualised percentage rate of interest to 22.9 per cent, the lowest since July 1978.

### Cheaper coal output possible

At least half of the UK pits earmarked for possible closure are capable of producing coal at cheaper prices than those tentatively agreed between British Coal (BC) and electricity generators, a consultancy advising the government has told MPs. Mr Ronald Lewis, of the John T Boyd consultancy, told MPs an investigation of 28 pits earlier this year demonstrated that within three or four years many could produce coal at an average of £1.33 a gigajoule. BC has tentatively agreed contracts with the two main generators in England and Wales by which it would sell coal at £1.50.

### Cover urged on terrorism

The government has been urged to intervene to end the "state of turmoil" in the British insurance industry which has followed the wave of IRA terrorist activity on the UK mainland.

Mr John Greenway, chairman of the all-party Insurance and Financial Services Group at the House of Commons, has written to Mr Michael Heseltine, the trade and industry secretary, asking the government to act as a reinsurer to resolve the problem.

# TECHNOLOGY

**Louise Kehoe** looks at US president-elect Bill Clinton's plans for boosting technological competitiveness

# Driving down a 'superhighway'

As speculation grows about US president-elect Bill Clinton's likely changes in policy, there is one safe bet at least: the new democratic administration will take a far more vigorous line on technology than its predecessor.

Clinton has pledged to make research and development no less than a national priority, in line with his vision of technology as "an engine for economic growth". Thus his technology policy is set to be activist, aimed at boosting private and public spending on the development of technologies with broad potential economic benefits.

Before the election, Clinton asserted: "Leadership in developing and commercialising new technologies is critical to regaining industrial leadership, creating high-wage jobs and ensuring our long-term prosperity." He has cited Japan and Germany as countries to emulate.

To some, his approach signals a radical and disturbing change in Washington: a switch to interventionist "industrial policy" with bureaucrats "picking winners and losers", an idea anathema to republicans.

Yet Clinton stresses that the primary responsibility for industrial competitiveness lies with the private sector. He adds, however: "It is imperative that we recognise that government has a role in encouraging pre-competitive technology development, encouraging dual-use [military and commercial] technologies, supporting industry-led consortia and making the most of technological advances."

While there may be deep philosophical differences between the new president and his predecessor, Clinton's approach to boosting industrial competitiveness does appear in many ways remarkably similar to that of President Bush.

Bush has, for instance, supported funding for Sematech, the semiconductor industry consortium, and significantly increased funding for civilian or dual-purpose research and development. On the campaign trail, Bush trumpeted his support for greater co-operation between federal laboratories and business.

But among high-technology industry executives, who have long urged more government action to stem the declining technological leadership and international competitiveness of US industry, Clinton is expected to give higher priority to stimulating competitiveness than did president Bush.

The man charged with putting this policy into effect will be vice president-elect Al Gore, a decade-long campaigner on technology and telecommunications policy issues.

**A central element of Clinton's technology policy is to forge a "new partnership" between government and business**

Its key elements are contained in a blueprint of Clinton's technology policy, circulated in September:

- Investment in "information superhighways", or advanced communications networks linking research laboratories, universities, hospitals, schools, and ultimately even homes.
- Reform of federal R&D programmes to focus on critical technologies such as advanced materials, information technology and new manufacturing processes.
- Reform of the National Laboratories, reassigning 10 to 20 per cent of their $33bn (£15bn) annual budget to joint ventures with industry.
- Creation of a "world-class business environment" through changes in US tax, trade and regulatory policies. This means making the R&D tax credit permanent, providing tax credits for investment in new equipment, and ensuring that depreciation schedules reflect rapid technological obsolescence. A 50 per cent tax exclusion would be provided for entrepreneurs who make long-term investment in new businesses.
- Investment in technology programmes aimed at small businesses, establishing 170 manufacturing extension centres. The budget of the National Institute of Standards and Technology would be doubled and industry-led R&D consortia supported by matching industry funds.
- Establishment of education and training programmes for a high-skill workforce. This would include set standards and a national examination system in core subjects, a new national apprenticeship programme, and incentives for industry to invest in worker training.

The most ambitious, and potentially most expensive, of Clinton's proposals is the development of advanced communications technology for information superhighways.

Clinton aims to make this project a symbol of a national effort to regain technological leadership, akin to the space race of the 1960s.

His proposal builds upon the existing High-Performance Computing and Communications (HPCC) programme, a pet project of Gore, which last year won the support of the Bush administration. HPCC already includes research to deploy a high-speed research and education network linking universities and government laboratories.

Clinton wants to broaden the scope of HPCC to include funding for national networks linking schools, hospitals and libraries, which would serve as a catalyst for commercial developments.

Such a network "could do for the productivity of individuals at their places of work and learning what the interstate highway of the 1950s did for the productivity of the nation's travel and distribution system," Clinton predicts.

His plan to create a network of "manufacturing extension centres" throughout the US is designed to "diffuse" technical knowledge and new manufacturing techniques among small- and medium-sized businesses. Currently there are fewer than 30 government-funded manufacturing technology centres in the US. Clinton maintains that the US government must match the efforts of foreign competitors such as Japan and Germany.

Critics charge that existing US manufacturing centres have not yet proved their worth. A more fundamental question is, however, raised by the possibility that if these manufacturing extension centres succeed in encouraging many businesses to adopt the latest automated manufacturing technology, many job losses will follow, which is not what the president-elect has in mind.

Overall, Clinton proposes giving "generic industrial technologies" a higher priority in the federal research and development budget. Currently, the US government spends about $76bn per year on R&D of which military work consumes about 60 per cent.

The president-elect aims to shift the balance to 50 per cent defence and 50 per cent commercial, providing about $7bn in new spending for civilian R&D programmes. Even then, the US would trail Germany and Japan in private and public spending on non-defence R&D as a percentage of gross domestic product. "Civilian industry, not the military, is the driving force behind advanced technology today," Clinton says. "Only by strengthening our civilian technology base can we solve the twin problems of national security and economic competitiveness."

A central element of Clinton's technology policy is to forge a "new partnership" between government and business. He plans to "create a forum for systematic private sector input into US government deliberations about technology policy and competitiveness". This represents a fundamental change in the US, where government has traditionally been a watchdog over business with a relationship that is frequently adversarial.

It is a measure of Clinton's success in moving toward this "new partnership" that he is backed by several high-technology industry leaders, among them John Sculley, head of Apple Computer, and John Young, former chief executive of Hewlett-Packard.

Perhaps the biggest challenge facing Gore will be to establish a central focus for the co-ordination of technology policy, drawing together programmes which currently span several departments and agencies.

This may involve the formation of a civilian version of the Pentagon's Defence Advanced Research Projects Agency which has taken a controversial leadership role in government funding for dual-use technologies over recent years. However, such plans remain vague.

Clinton also recognises the need to seek changes in the way multiple congressional committees authorise R&D spending, "making it nearly impossible to set priorities among competing programmes".

But however his ambitious plans work out, the fact that Clinton looks like being the first president to put technological competitiveness high on the policy agenda is alone seen by many industrialists as an important step forward.

Bill Clinton: calling for a national effort to regain technological leadership

# Satellite patrol goes on farm alert

While European and US trade negotiators fight it out over oilseed subsidies, EC officials are seeking the answer to a less controversial but highly practical problem – how to police the subsidy payments made to farmers.

At the moment, claims are monitored by officials trudging around to check that farmers are growing what they say they are. This is a daunting task, since the EC grows more than 12m tonnes of subsidised oilseed. The problem is about to be compounded by the introduction of "set-aside" schemes under which payments will be made for land taken out of production.

But a new weapon is now being used in the struggle to catch crafty farmers trying to wriggle round the rules – the satellite. Earlier this year, the EC set up several projects to investigate the technical feasibility of using remote sensing by satellite to verify subsidy claims.

From 1993, farmers will be able to claim subsidies for taking 15 per cent of their arable land out of production in a scheme set up as part of the reform of the Common Agriculture Policy. Although the scheme is voluntary, the terms are such that most cereal growers are expected to participate.

In the UK, the pilot projects to monitor oilseed crops and set-aside land are being carried out by the National Remote Sensing Centre (NRSC) in Farnborough in collaboration with the Ministry of Agriculture, Food and Fisheries, responsible for processing UK claims.

The study involves the comparison of images of the land surface obtained by the US Landsat and European Spot satellites with subsidy applications received by the ministry. The NRSC receives the digitised satellite images on computer tapes and these are fed into an image processing system which produces the familiar satellite pictures of the ground.

Project staff at NRSC outline the fields which farmers say are set aside or under oilseed on large-scale Ordnance Survey maps. These are then digitised on to the NRSC's geographical information system.

A template of individual farms highlights the fields for which farmers are claiming subsidies. The system also relates the co-ordinates of the farm to the much larger area of the satellite image (each Landsat image covers 185 square kilometres and each Spot image 60 sq km) and overlays the template exactly.

Bright yellow fields of oilseed rape in flower have become a familiar – and some say jarring – sight in the UK. The satellite images are taken in the infra-red part of the spectrum, so oilseed rape shows up as white rather than yellow.

Set-aside land is more difficult to identify because the rules only specify that the fields must have green cover. This could be confused with other crops or pasture, and so interpreting the infra-red satellite images requires trained analysts.

"There are a number of crops you can have in set-aside and the type of image you get is a function of the time of year; for example, most cereal crops show up as blue when they are young," says Duncan Jenkins, project director.

The level of detail shown on the images does allow one green crop to be distinguished from another by its structure. For example, a field of sprouting green wheat looks different from a leafy cover such as clover. Debbie Hindley, the project's applications specialist, says: "We know from the information supplied by the ministry which field we should be looking at. To confirm that a claim is valid, we don't actually have to identify each crop from its satellite picture."

No one will be accused of making a fraudulent claim solely on the basis of remote sensing. "The aim is to throw up queries which will then be checked on the ground," says a ministry spokesman. But knowing that satellite checks are possible will be a strong deterrent.

Nuala Moran

## PEOPLE

### Dalgety settles succession: picks Clothier

Dalgety has named Richard Clothier (right), a 15-year veteran of the food group, to succeed Maurice Warren, who retires next June at the company's standard retirement age of 60. There will be a six-month handover period; Clothier, 47, becomes chief executive designate in January.

In his four years at the top of Dalgety, Warren has effected a fundamental restructuring. This involved a series of disposals, including the commodity business Gill & Duffus as well as the Australian agricultural interests; installing a younger management team; and generally winning the confidence of the City.

Under John West, who became non-executive chairman in September, the company searched both externally and internally for Warren's successor. Of the two other internal candidates, one is assumed to have been Hugh Thomas, who joined from Nestlé in 1990 and is in charge of the consumer food business, and had, at least from outside, for a while been perceived as the most likely new boss.

The other was Paul Kirk, chief executive of Dalgety Agriculture, who joined the board this April, as did Clothier. "We are all the same age, but with quite different experience and I do hope we can continue to work well together," says Clothier.

Clothier, who was born in Rhodesia and took a degree in agriculture at the University of Natal, joined Dalgety Agriculture in 1977 after seven years with the Milk Marketing Board. He has been in charge of The Pig Improvement Company since 1988, currently the fastest growing part of the group, with turnover doubled and profits more than tripled under his watch. But it is Thomas's area, consumer foods, that probably offers the most growth potential, according to Clothier.

If analysts perceive any weakness in Clothier it is that he, in common with Warren, has no direct experience of consumer branding. "It is quite understandable if they do," Clothier says philosophically, "but we have very strong people who do understand that sector."

One of those is Jack Rowell, 56, who runs Golden Wonder snacks, the largest individual business within the consumer food division, and who is now appointed to the main board.

Meanwhile, Warren says he will not be retiring from the business and says he has "another appointment waiting in the wings, out of the sector" but will not be drawn further.

### Recharging at Lucas

Sir John Fairclough and Louis Tomasetti were yesterday appointed to the board of Lucas Industries as non-executive directors. They replace Lord Armstrong, who has been on the board since 1989 and is 65, and 56-year-old American Des O'Connell, who has been on the board since 1988.

Sir John, 62, was chief scientific adviser to the cabinet between 1986 and 1990. He is a director of NM Rothschild, chairman of the Engineering Council and non-executive director of Oxford Instruments Group.

Louis Tomasetti, 61, and also American, retired as executive vice president of the aerospace business of General Electric of the US in 1990.

Lucas has been rocked by the sudden departure last month of Tony Edwards, the boss of the aerospace division who had also been expected to take over as chief executive from Sir Anthony Gill, who still combines the roles of chairman and chief executive. Lucas moved quickly to fill Edward's gap earlier this month by naming Frank Turner from Rolls-Royce as his successor in charge of aerospace.

■ Geoffrey Whalen, deputy chairman of Peugeot Talbot Motor and chairman of Coventry and Warwickshire Tec, is appointed a non-executive at Coventry Building Society.

■ UK Gold, the new satellite channel running the best entertainment programmes from the libraries of the BBC and Thames Television, has appointed its first chief executive. Bruce Steinberg, 35, joins UK Gold from MTV Europe where he is the director in charge of advertising sales and new business development.

Derek Lewis, the former chief executive of the Granada Group who was responsible for the launch of the channel, becomes non-executive chairman.

■ David Kent, formerly European sales and marketing director for Wilson Sporting Goods, has been appointed commercial director of GRANADA Hospitality; he succeeds Tom Sherriff who is leaving to become a consultant.

### Sach: 'intensive care' at RBS

Derek Sach, formerly a director of 3i, has joined Royal Bank of Scotland. He is setting up a new unit, Specialised Lending Services, to help faltering businesses.

Unlike banks' all too active intensive care and recovery operations, aimed at picking up the pieces of sick or dead companies, this unit is intended to provide assistance to businesses whose problems have not yet become critical but may deteriorate, and thus protect the bank's loans.

The idea of setting up Specialised Lending Services came from within the Royal Bank and Sach was approached by George Mathewson, chief executive, himself once with 3i.

Sach, now 44, spent 20 years at 3i, becoming group managing director for UK investments. He left at the beginning of this year because, he says, he was not wholly in agreement with 3i's proposed flotation, since postponed.

Sach says there are many more companies that may be faltering than those actually needing intensive care. "They may have made one acquisition too many, or become over-exposed on property," he says.

"By developing and using our understanding of a company's business, and working together to achieve an early identification of future problems, we are far more likely to be able to offer a remedy to their malaise – and therefore ensure their survival."

He says that in the 1981/82 recession venture capital companies provided a similar service to that now being offered by the Royal Bank: "Companies were backed then which often came good later."

The unit is absorbing the Royal Bank's intensive care and recovery operations and will employ 300 people. Sach, who pronounces his name "saitch", will be based in London but the unit will also operate from Manchester and Edinburgh.

### Chrysalis re-pupates

Chris Wright, 48, the chairman and founder of Chrysalis Group, has turned to Steve Lewis to help rebuild the recording interests of his music publishing, communications and media company.

Lewis, 39, who has one of the music industry's most successful track records after 20 years with Virgin, will be chief executive of a new music division which will encompass a new record company (as yet unnamed) and all the group's record publishing activities in the UK, Europe and the US.

Chrysalis last year sold its remaining 50 per cent stake in the Chrysalis Records joint venture with Thorn EMI for $30m in cash and Wright is now freed from a non-competition agreement. He says: "I have been waiting for the right opportunity to bring in an individual who shares my vision and philosophy. Steve Lewis is that person."

During his five years as deputy managing director of Virgin Records, Lewis was involved in launching artists such as Phil Collins and Simple Minds. From 1983, he was managing director of Virgin Music Publishers. In March, Virgin Music Group was sold to Thorn EMI for £510m.

Lewis, who will have an equity stake in the new record company, will also retain his shareholding in the Tuchwood Label which he established with Rob Melbourne.

FINANCIAL TIMES SURVEY

# LANCASHIRE

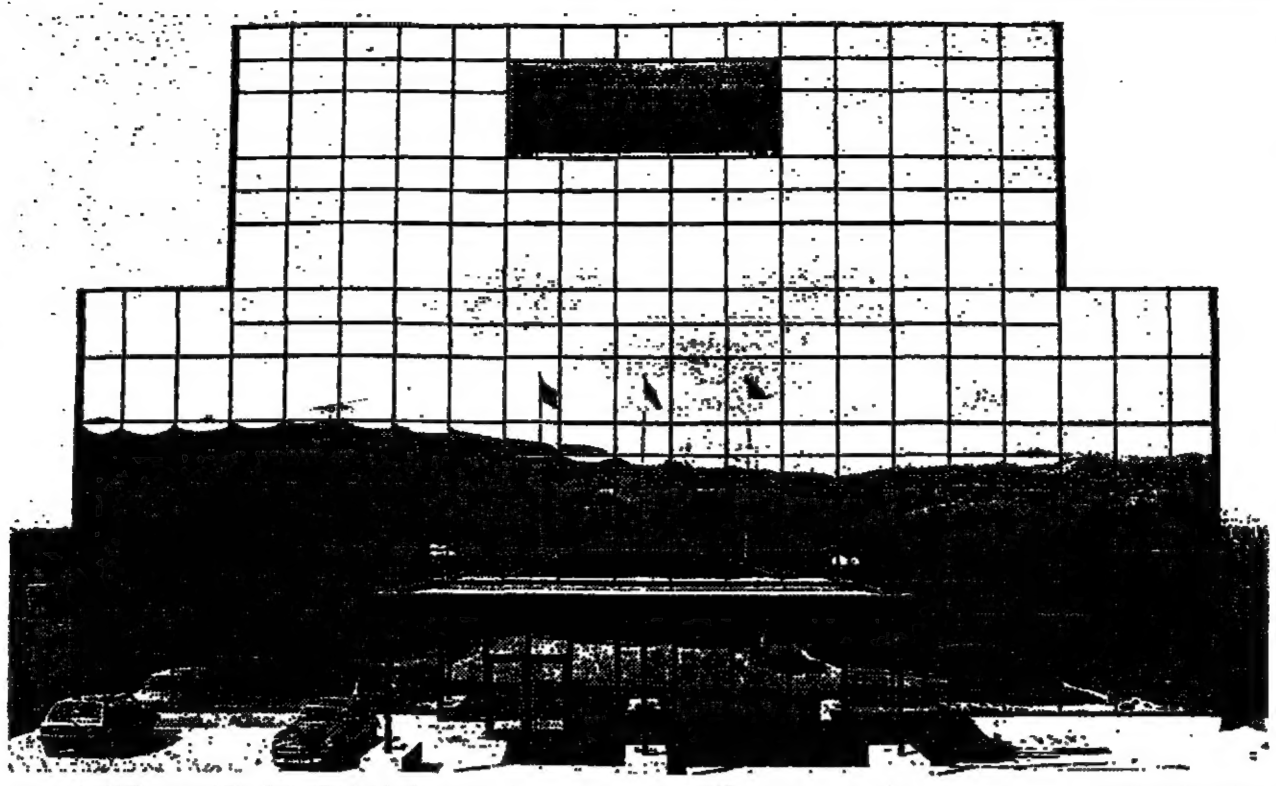
Thursday November 19 1992

Lancashire Enterprises is regarded as a business in its own right: **Page 2**

Two universities have grown to maturity in less than a generation: **Page 3**

Lancashire faces an economic reconstruction during the 1990s. Previously cushioned by its defence industries, now threatened by the new world order, its prospects depend crucially on the EFA. **Ian Hamilton Fazey** reports

## Waiting and worrying



The tranquil hills around Burnley, reflected in the modern façade of the Advanced Music Systems building

*Pictures by Michael Arron*

ACCORDING to Ms Gillian Beeley, Lancashire is one of Britain's great secrets. About 43 per cent of the workforce is in manufacturing, most of it high technology. The worry at present is of the secret being carried to an early grave.

It is not so much the recession, but the end of the cold war, for much of the industry is in the defence sector, and most of that is aerospace, accounting for 21,000 jobs and 34 per cent of the county's manufacturing output. No other county in Britain has more jobs in the aerospace industry. Lancashire has one-eighth of the national total.

It does not stop there. Mechanical and electrical engineering between them account for another 15 per cent of output, rubber and plastics another 5 per cent. These sectors depend heavily on aerospace for work, making 54 per cent of the local economy vulnerable in some way to the international recession and changes being wrought by the new world order.

Just how things have changed from the county's traditional image is shown by only 6 per cent of output now coming from textiles. Footwear and cloth, another traditional Lancashire sector, produces only 4 per cent now. Chemicals, food and drink, paper and publishing, are all bigger industries.

Past official secrecy and geography help explain why Lancashire's transition to a place at the leading edge of technology has remained relatively unsung.

The county is on the periphery of England, with many communities dotted about the hills, dales and moors of the western Pennines. This made it difficult either to reach or bomb in the second world war, but comparative remoteness has also limited national perceptions today.

As Ms Beeley, deputy director of East Lancashire chamber of commerce, points out, few appreciate that the letter B in the RB211 jet engine stands for Barnoldswick, the small town between Pendle Hill and the Yorkshire Dales where Rolls Royce has one of its most advanced factories.

Today, the future of the European Fighter Aircraft (EFA) – a joint venture between Britain, Germany, Italy and Spain – dominates Lancashire's prospects. Germany has left EFA out of next year's national defence budget and its future is in doubt as the other partners look at ways to trim costs and manage on their own.

The second prototype sits in a hangar at Warton aerodrome near Blackpool. The first is in Germany and is supposed to fly first. The Lancashire aircraft has been towed out and has revved up its twin Rolls Royce EFA EJ200 engines on local television, as though challenging the reluctant Germans to take off.

Lancashire needs EFA to carry on where production of the war-proven Tornado will leave off. There are worries about the latter, too, with an order from Saudi Arabia awaited, but EFA is Lancashire's future.

Mr Michael Hynes, managing director of Lancashire Enterprises says as many as 40,000 local jobs probably hinge on it. "Many companies have already tooled up for EFA sub-contract work," he says. "They had to invest well in advance to be sure of the work. They cannot just switch to something else."

Lancashire Enterprises, which was set up 10 years ago as the economic development arm of Lancashire County Council, is now an independent regional agency, having privatised itself by flotation when the government stopped local authorities from trading.

It cut its teeth on large local casualties of the 1980-82 recession, such as the withdrawal of Turner and Newall (now the T&N group) from the centre of Lancaster, the collapse of the Fleetwood fishing industry, and decimation of the footwear, leather and textiles industries in the Rossendale Valley.

Mr Jim Mason, Lancashire Enterprises' chairman, says: "We are in the unemployment business. We know a lot about it; how to avoid it, how to fight it. The Lancashire economy will be devastated if EFA stops. From our very extensive experience of this sort of work, we can't see it being possible to regenerate the regional economy for at least a decade if EFA goes down." Ms Beeley says: "It's jobs lost, rather than unemployment, that matters, because of difficulties in ever being able to re-employ or re-use skills that go with the jobs concerned. We are talking of 3,000 in Blackburn, 2,200 in Burnley and 2,000 in Pendle."

Even if it were possible for people to move, the scale of exodus from these small towns would cause domestic property markets to collapse, leaving widespread dereliction and local economies ruined. In any event, national recession inhibits mobility. The large numbers involved are also their own argument against solving the problem by inward investment or trying to grow small businesses to fill the gap.

In spite of these threats, much of Lancashire's industry and commerce has weathered recession. Mr Jim McKinstry, director of the East Lancashire chamber, says some companies in export markets such as carpet-making machinery, have been "laughing all the way to the bank."

A survey last month of 300 companies in the county by Latham Crossley and Davis, a leading indigenous Lancashire firm of accountants based in the new town of Chorley, showed 80 per cent confident of upturn within nine months. Three-quarters believe north-west England as a whole would be better placed than the south-east to take advantage of recovery when it happens.

The names of some of the companies located in Lancashire give a clue to the county's success in resisting recession: ICI chemicals and polymers at Fleetwood, Baxi, the gas fires and central heating boiler manufacturer at Preston, Crown Eyeglass, the spectacles manufacturer at Blackburn, where the Scapa Group of specialist-niche engineering companies is also based.

Defence spending has also cushioned Lancashire, just as cutbacks threaten it now. The role of giants such as British Aerospace and Rolls Royce is obvious but more than 50 other substantial, highly skilled businesses are part of a widespread, interdependent, inter-trading network.

This base of sound, well-run companies did well for the county in the latter half of the 1980s, when unemployment in the Clitheroe travel-to-work area fell at one stage to 3 per cent – or full employment, for all practical purposes.

Recession has bitten, but in some places the effect has yet to show much in the statistics. Clitheroe's jobless rate had risen to 4.9 per cent by the time Britain left the ERM in September but Burnley's, at 8.8 per cent was only 0.4 percentage points worse than in July 1989.

Lancashire as a county reported 8.6 per cent unemployment in September, compared with 10.8 per cent for north-west England and 9.9 per cent for Britain as a whole.

This has produced an interesting reversal of previous north-south divide conventions. "Everyone is checking up very carefully on whom they do business with because of the risk of giving credit to someone who is put into liquidation before they can pay you," Mr McKinstry says.

"The majority of the companies most at risk these days are in the south-east. You have to be very careful about accepting non-cash customers from that part of the country," he adds.

This is no cause for complacency. Whether or not EFA survives, Lancashire has too many eggs in one basket; long term, it must spread its risks. Better infrastructure is seen as crucial.

Improved roads have cut the journey to Manchester to half an hour. Mr McKinstry says extension of the M65 across the moors to Leeds would open high technology skills to West Yorkshire's diverse opportunities and improve access to the Humber ports.

He also echoes a widening northern view: the channel tunnel will be irrelevant to most northern businesses; Mr McKinstry believes they would do better from an improved west coast main railway line and a second runway at Manchester Airport.

### KEY FACTS

| | |
|---|---|
| **Area** | 306,951 hectares |
| **Population** | 1,408,300 |
| **County authority** | Lancashire County Council, County Hall, Preston PR1 8XJ |
| **Telephone** | 0772-54868 |
| **Chief executive** | Gordon Johnson |

**Other Information**

| | Urban | Rural |
|---|---|---|
| **House prices (£)** | Urban | Rural |
| **3-bed semi** | 49,000 | 59,000 |
| **4-bed detached** | 94,500 | 111,500 |
| **Prime rents (£ per sq foot)** | Urban | Rural |
| **Office** | 10 | 5 |
| **Retail (zone 1)** | 90-100 | 22 |
| **Industrial** | 4.5 | 2.75 |
| **Travel times to major centres** | Road | Rail |
| **Lancaster-Manchester** | 1hr,10 | 1hr,20 |
| **Lancaster-Glasgow** | 3hr,30 | 2hr,20 |
| **Lancaster-London** | 5hr | 3r,5 |
| **Preston-Manchester** | 50mins | 1hr |
| **Preston-Glasgow** | 4hr | 2hr,30 |
| **Preston-London** | 4hr,30 | 2hr,40 |

*Source: detail researched by National Startpoint, producers of social and demographic data for relocation purposes. Telephone 0785-43235*

## LANCASHIRE 2

**Ian Hamilton Fazey** examines Lancashire Enterprises, 'a business in itself'

# A model for the modern

Lancashire Enterprises is now widely regarded as a successful model for achieving regional economic development in most of Europe – except Britain.

Its Luxembourg office evaluates economic development projects for the European Commission, giving the yea or nay for help from a £160m EC fund. Its specialists export their know-how directly into east European countries. Next year Khazakstan will use Lancashire expertise for a £1.2m training programme.

Projects range from establishing economic development agencies to setting up business schools, or converting former Soviet barracks into managed workshops.

The approach is an integrated one, involving public and private sectors jointly in investment, property development and training. Lancashire Enterprises has found a way of turning the process of regeneration into a business in itself, making substantial profits for reinvestment and further development.

The scale has more than passed the government's 2-for-1 test for backing economic development, where at least £2 of private sector spending has to be levered by every public £1. The first £4m of Lancashire ratepayers' money used to launch Lancashire enterprises 10 years ago has levered £200m of private investment.

It began in 1981, in the depths of the last recession, when Labour won control of Lancashire county council. If Labour was riven nationally at the time by a leftward lurch, the party in Lancashire was firmly in moderate hands.

Mrs Louise Ellman, the pragmatic leader, knew the private sector was suspicious of Labour but was sure that public and private sector had to be partners.

There was also an éminence grise: Mr Jim Mason, a former chairman of the Co-operative Wholesale Society, deputy chairman of the Co-operative Bank, and once the chairman of Warrington New Town Development Corporation.

The first Thatcher government sacked him from this last appointment. It was nothing personal, Mr Michael Heseltine, then environment secretary, explained. Mr Mason's skills were admired – but he was a Labour supporter, and all Labour-appointed holders of similar public jobs had to go.

Jim Mason, Louise Ellman and Mike Hynes: "A new type of economic initiative"

Mrs Ellman says: "We were faced with recession, economic decline and unemployment. We decided to try and construct a new type of economic initiative which would involve the private sector and help build their confidence to work with us."

The exact formula was worked out by Mr Len Collinson, chairman of Collinson Grant, a Manchester management consultancy.

The mechanism was simple: take the product of a 2p rate – which councils were then allowed to spend locally on anything they wished – and use this as capital to fund a company which would take over Lancashire's economic development functions. The deal was a good one for Lancashire's ratepayers; the money – all £4m of it – did not disappear as non-returnable grants, but was capitalised and put to work.

For all his left-of-centre credentials, Mr Mason's views were capitalistically correct. "Where we were unique compared with all other regeneration agencies at the time is that we went into property. My experience at the CWS had taught me to borrow only against tangible assets. There was lot of bricks and mortar around."

Here was a coincidence of needs and interests. Mr Mike Hynes, now managing director, says: "We had a shortage of places for small and medium-sized businesses, but we had a lot of old mill buildings."

These were too well-built to knock down, but in need of too much work to appeal to private sector property developers who had more profitable fish to fry in southern markets. The new agency, with Mr Mason as chairman and Mrs Ellman as his deputy, took the job on, carefully investing and nurturing unused capital while doing so. The council topped up resources as needed.

The approach attracted cross-party support and private sector partners both on the agency's board and in projects. An early test was the decision of Turner and Newall to shut down in Lancaster, where the company occupied a 15-acre site in the town centre.

Lancashire Enterprises bought it for £2m. Nine years on, the site now houses 120 companies employing 850 – 250 more than when Turner and Newall left – and has achieved a 9 per cent return on the £13m used to develop it. Lancashire Enterprises put in about half and got most of the rest from the European Investment Bank.

Other big projects have included the redevelopment of large sections of Leeds-Liverpool canal, a derelict relic predating even the industrial revolution: Eanam Wharf, a rundown canalside part of central Blackburn; the redevelopment of Hardman's Mill at Rawtenstall; and a systematic training programme to improve the skills of the old British Leyland workforce at Leyland, so that they and their factory could successfully transfer to Volvo bus manufacture.

Lancashire Enterprises also set up venture and development capital funds to finance new and growing businesses in the county and established a network of "hands-on" help to improve survival rates.

It now has two offices in Brussels, as well as the one in Luxembourg. Grants and work have been the reward.

The ultimate test, however, came when the government forced all local authorities to stop trading activities. Lancashire Enterprises, although at arm's length from the county council, fell foul of the legislation and was forced to privatise itself by going public.

Lancashire Enterprises itself now employs 230 people, compared with six when it started. It is a profitable and successful property owner.

The question is why Lancashire Enterprises is without much national honour in Britain, when it is so well-regarded elsewhere in Europe.

The answer has to be political. Capitalistic and profitable as it has been in practice, it is the child of a Labour administration. It is interventionist and its directors and managers believe in economic planning, at least at regional level. This was anathema to government in the Thatcher decade.

But it works, encouraging private sector investment, reclaiming derelict land, bringing seemingly dead buildings back to life, and making money while doing so.

**Stewart Dalby** reports on strategies to attract inward investment

# Each town has decided to beat its individual drum

AT A time when local authorities and regional development bodies throughout the UK and Europe are seeking to attract inward investment, the approach in Lancashire is worth noting. What is possibly a little odd about the Lancashire towns is that they are individually setting out their stalls.

Lancaster's decision to beat its own drum is perhaps not so strange. It is isolated from the other towns and has a different economic structure. The city has benefited from the expansion of the port of Heysham, where British Gas's 20-acre purpose built operations base for the Morecambe Bay gas field is located. But Lancaster has also developed a strong service sector.

The three towns of Preston, Blackburn and Burnley are close together physically. Preston is the largest, with a population of 130,000, but the two other towns have catchment populations of more than 100,000. The three have similar economic structures: traditional industrial centres, where in spite of some diversification there remains a heavy dependence on manufacturing.

In this belt of towns along the M65, employment in manufacturing accounts for over 40 per cent of all employment. Moreover, they now face similar problems with the possible rundown of defence industries. Would it not make better sense to pool resources to attract new investment?

Mrs Louise Ellman, leader of the Lancashire County Council, says: "There is little rivalry between the county and the district councils. We all realise we are part of the same problem – we are facing a potential problem with the rundown of defence industries. There could be 21,000 jobs lost from aerospace alone."

Mr David Borrow, the leader of the Preston borough council, areas says: "There is little rivalry between the councils. We would rather a new company came to Preston rather than Blackburn, but we are all close, so any new investment to the region is welcome."

Mr Peter Greenwood, the leader of the Blackburn borough council district says: "Rivalry is the wrong word. We all talk together. The county council does a good job. But the district councils should concern themselves with the individual needs of the areas."

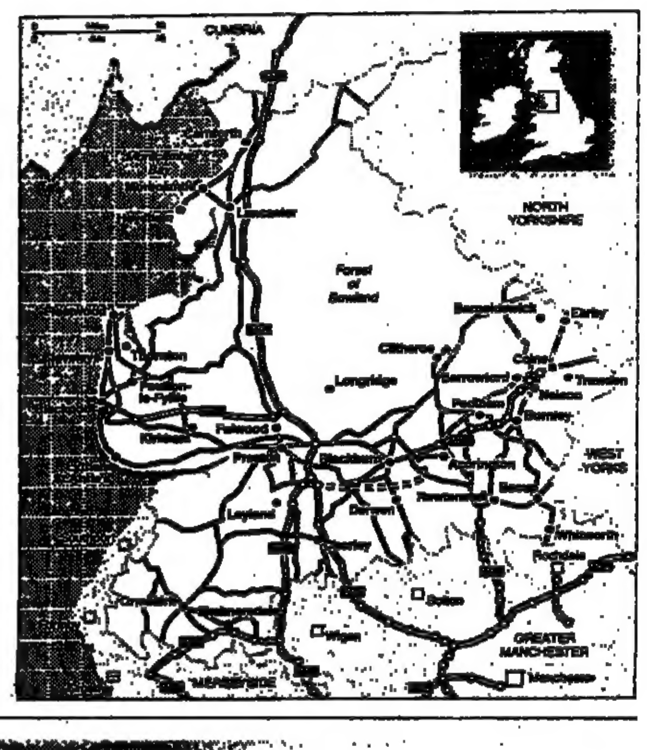
Mr Kenneth McGeorge, leader of the Burnley borough council, points that in discussing the towns like of Blackburn, Burnley and Preston are parts of overlapping travel-to-work areas. He says: "People come to work here in Burnley from Blackpool and Lancaster. We also have people commuting out to work in Preston and Warton. Any new company benefits us all."

Mr Stanley Henig, leader of the Lancaster city council, sums up: "You need both. You need a regional organisation which is going to take a strategic overview. But the individual towns and councils must involve themselves in economic development. Only they know what the local needs are in terms of economic structure. One problem has been dissatisfaction with regional organisations in the past. But the county council does well it has the resources to promote economic development."

Blackburn and Burnley would like to be unitary authorities if the offer should come when the local government commission reports next July.

If there is little disagreement that both the county and the boroughs should involve themselves in economic development, there is a sharp divergence of views about the reform of local government. Both Blackburn and Burnley would like to be unitary authorities if the offer should come when the local government commission reports next July.

Mr David Borrow in Preston feels no pressure to become a single tier of local government. Mr Henig in Lancaster says his council is broadly in favour of a single tier of local government; the city would probably opt for unitary status if it were offered, but he adds: "The worst of all possible worlds would be if some of the boroughs were offered unitary status but not others. This would leave an enfeebled county council with fewer resources and less power to deal a very large area. That would be a real botch."



Tourism around the county

# Those clouded hills

BLACKPOOL may be the largest tourist resort in Britain but it is not the only visitor destination in Lancashire. Other attractions range from heritage sites to industrial museums and markets in old manufacturing towns. There is good walking, fishing and riding in countryside areas such as Pendle Hill, the Ribble Valley and the Forest of Bowland – with a well known beauty spot, the Trough of Bowland.

Lancaster has a Norman castle owned by the Queen in her capacity as the Duke of Lancaster. (John of Gaunt, Shakespeare's "time honoured Lancaster," was the first duke). There is a Benedictine priory church and a judges' lodging house containing fine Gillow furniture. The Georgian custom house on the quay is now the home of the maritime museum, and there are lots of Georgian streets. The city authorities have forged a link with the nearby resort of Morecambe to form a "holiday corridor". Morecambe, with grand old hotels and attractive gardens along the sea front, offers a more genteel seaside alternative to brash Blackpool.

All the main towns in Lancashire, as elsewhere in the old manufacturing centres in the north of England, have turned former factories and dark, dank mills into industrial museums. Blackburn has its Lewis textile museum; Burnley has the Weavers Triangle visitors' centre, with displays showing the manufacture of cotton, and the Leeds and Liverpool canal.

From any of the towns access to splendid countryside is easy, whether to the West Pennine moors in the south of the county, the Ribble valley in the centre, or the Forest of Bowland in the north.

But Blackpool dominates tourism in Lancashire, accounting for more than 70 per cent of all tourism destinations in the county.

The town had 16.8m holiday visits in 1989, showing an expenditure of £445m. (It is estimated that this year's visits will show a decline of about 6 per cent from the 1989 mark.) Blackpool has 120,000 holiday beds – more than in the whole of Portugal – in 3,500 hotels and guest houses. On a typical summer's day, 1m ice creams are consumed and in high summer 25,000 vehicles a day enter Blackpool. (There are 15,000 parking spaces.)

More than half all visits come from people living in the north west region. A further 18 per cent of visits from elsewhere in the north of England. Very few foreign visitors go to Blackpool: it is quintessentially a British resort.

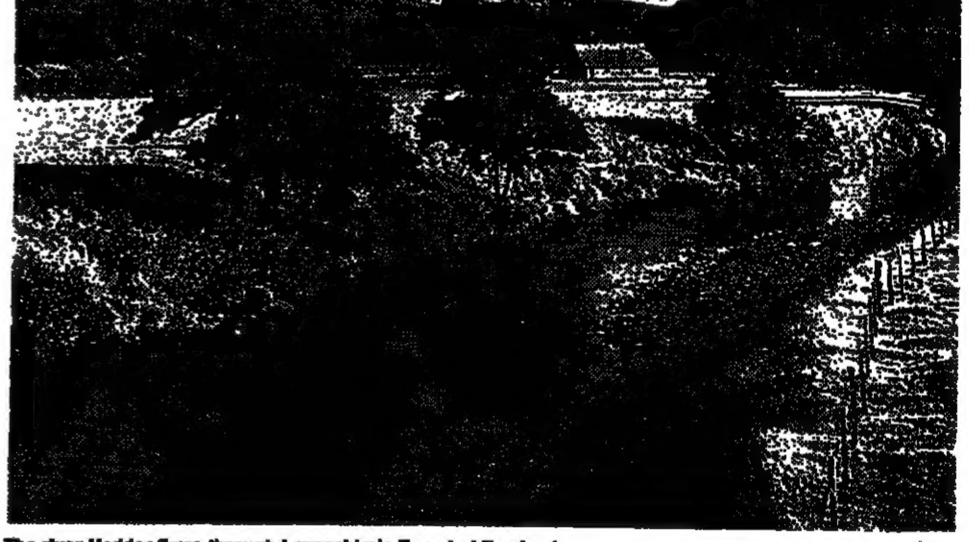
Conversion of the old central station into a coach and car park makes the resort ideal for coach parties; the large number of these is reflected in the figures for day trippers: 75 per cent of all visits. (Although day trippers spend only £100m of the total holiday expenditure). But it is not just the geography and ease of access which account for Blackpool's continued popularity.

Developing new attractions has helped Blackpool to extend its season. Switched on each year by a celebrity amid great fanfare at the beginning of September, when other resorts are beginning to close down, the illuminations continue until November 9. They cost the local council £1.8m a year to install and run, but it is estimated that the illuminations alone attract 8m visits and £180m worth of tourist spending. Conferences similarly extend the season well into the winter.

Originally opened in 1878, the Winter Gardens are now covered over. They contain the Empress ballroom and the Opera House (claimed to be Britain's largest theatre), along with bits and pieces of dream palaces of different cultures. Sprawling over 4.5 acres, the Winter Gardens can thus accommodate all kinds of conferences and meetings and make a small profit for the borough council.

For ordinary tourists there is no end of diversion. The Pleasure beach is a 42 acre amazement park; the Tower has a circus and a ballroom as well as shops and amusements at its base; the Golden Mile is an unbroken ribbon of shops selling hamburgers, chips, ice creams and candyfloss, interspersed with cabaret spots and arcades. The latest addition is the £6m Sea Life centre, complete with shark tunnel.

**Stewart Dalby**



The river Hodder flows through Lancashire's Forest of Bowland

**Ian Hamilton Fazey** reviews higher education provision in the county

# Brain drain goes into reverse

A REMARKABLE new industry has erupted in Lancashire in less than a generation. It turns over more than £100m a year and has grown continually; about half its turnover is spent locally, generating three jobs outside for every two within the industry itself. By the end of the decade, more than 30,000 people will be involved.

The "industry" is higher education. Size – and the monies involved – are more than mere indicators of economic importance: the speed of take-off says much about previous pent-up, unsatisfied needs and markets; a big hole in Lancashire's social and economic infrastructure was waiting to be filled.

Mr Brian Booth, an economist who is now rector of the new University of Central Lancashire, sums up the raison d'être of the sector: "Lancashire and Cumbria have long been net exporters of students. They had about one-thirtieth of Britain's population but well under one-thirtieth of the nation's student places. Two universities are now trying to redress the balance."

The other university is Lancaster, one of the "new" ones of the early 1960s, built on a greenfield site to the south of Lancaster itself. Central Lancashire is "new" in the 1990s' sense, springing from Lancashire Polytechnic in the middle of Preston. Previously, there were no universities in the region west of the Pennines north of Manchester and Liverpool.

Central Lancashire's origins lie in the Institution for the Diffusion of Knowledge, founded in Preston in 1828. Although this eventually became the Harris College in 1956, it never attained the size and status of the regional technical colleges on which other polytechnics were founded.

When Mrs Margaret Thatcher, then education secretary, designated Preston Polytechnic in 1973, it started with 500 students. Mr Booth says this weakness proved the new institution's strength; it could build from scratch, based on market need.

It has done so: there are 14,000 students now. About 8,500 are full-time undergraduates and another 1,000 are part-timers studying for their degrees in the evenings. Others are doing diplomas and postgraduate work.

**Lancaster University works with the local authority to expand without overstretching housing**

Being in a large town like Preston has helped rapid growth, although there have inevitably been strains. There is usually a student lodgings crisis at the start of each academic year, for example, forcing the university to rent Pontins holiday camp at Southport to tide people over while the situation is sorted out.

Meanwhile, Lancaster University's growth has been no less impressive, although it has been constrained by its island status in green fields. Mr Colin Adams, its planning officer, says it could only grow as fast as it could build, and many students have long used the seaside resort of Morecambe for accommodation.

Nevertheless, Lancaster now has 6,200 students, of whom a fifth are mature, but few part-time. The university is working closely with the local authority to expand without overstretching local housing provision. It expects to have 8,500 students by 1994 and 10,500 by 2001.

From a strategic economic point of view, what is going on is a form of import substitution, with consequent benefits to Lancashire's balance of trade in human resources.

Previously, the cream of local talent went away for higher education and much of it never came back. At the same time, large numbers of capable people had no means of furthering their potential if they could not get away.

It is hard to judge the exact size of this latter market, but one indicator is the success of an institution called the Open College of the North West. This is jointly sponsored by the two universities and consists of all community-level colleges in the Lancashire and Cumbria sub-region.

It enables people to do a "year zero" at their local college, where they can qualify for a three-year degree course at Central Lancashire or Lancaster without having to leap the conventional GCSE "A" level entry hurdle. It is proving ideal for mature students, enabling them to prove they are capable of benefiting from a university education without having to pretend they are 17-year-olds all over again. Several thousand students are now involved.

Starting from scratch has also enabled both universities to tailor faculty structures to market demand. Central Lancashire now has five faculties: science; design and technology; a business school; health; and cultural, legal and social science.

Design and technology includes fashion, graphic and three-dimensional design. It aims to use the institution's good engineering reputation to marry design and manufacturing, producing better products that are easier for industry to make.

Courses available at Central Lancashire range from astronomy and journalism, to fashion design and midwifery. Its law school also has a good name. Mr Booth believes market relevance was borne out by 30,000 applications for 3,000 first-year full-time places this year.

Lancaster's five faculties are a management school; humanities; social science; science and engineering; and teacher education. The management school has proved particularly successful as a bridge to industry and commerce, with relevant undergraduate, postgraduate and management training functions.

**Central Lancashire now has five faculties, including science and a business school**

The school's seven departments – accounting and finance; behaviour in organisations; economics; management learning; marketing; operational research; and systems and information management – are in themselves indicators of the main thrust of teaching and research.

Lancaster has strong links to British Airways, British Nuclear Fuels and VSEL, the Barrow-in-Furness nuclear submarine builder. About 300 British Airways managers have been involved in company-sponsored masters of business administration (MBA) degrees or management diplomas.

There is also an MBA programme for a consortium of 10 companies, although recession has reduced the intake to one per year of 30 students, instead of two per year of 25 each. MBA degrees can be taken full-time or part-time, but Lancaster also stresses the value to industry of other masters courses, such as in accounting and finance, or operational research.

Both universities attract students nationwide; many leave the region after graduating. Mr Booth says one of Lancashire's tasks as a community will be to develop its economy, ensuring more job and career opportunities to keep as many qualified people as possible.

Lancaster University is therefore working hard with small and medium-sized companies to help them grow, thus helping the long-term potential jobs market. Central Lancashire intends to play a significant part in Preston Technology Centre, which is being developed near the campus in British Aerospace's Strand Road factory as it runs down.

Mr Booth also hopes that a Fashion Design Centre, which the university is setting up with Preston Council, will help develop a widely-based cottage industry for graduates using personal computer-aided design and manufacture software to sell to large clothing companies.

Meanwhile, Lancaster University is planning joint property development in Lancaster to clear up derelict sites and bring old buildings back into use. It hopes to build an urban equivalent of the greenfield science park favoured by universities in 1980s, broadening the economic base of the local community at its very heart.

Town profile: Preston

## Skills base on offer

PRESTON, although a traditional manufacturing town dependent on engineering and textiles survived the 1980s well. While other industrial towns in the north of England experienced high levels of unemployment, Preston consistently registered a jobless number below the level for the north west and often below the national average.

In September this year, unemployment in the Preston travel-to work-area was 11.7 per cent compared with 10.8 per cent for the northwest and 9.9 per cent for Britain as a whole. (In the inner town, however, male unemployment is over 20 per cent in some wards).

The reasons for the relative buoyancy was that a large industry – aerospace – held up well, thereby helping to support service industries, particularly retailing.

Preston is the administrative centre for the county. Lancashire County Council's headquarters are there; so are the crown courts and other subregional offices of public bodies. It is also the home of Lancashire Polytechnic which is in the process of becoming the University of Central Lancashire.

Public administration accounts for more than 8 per cent of total full time employment; education for a further 9 per cent. Retailing distribution is put at 10 per cent.

In the past decade Preston, the sub-regional shopping centre for a catchment area of 400,000, has built up its central shopping area. There is also a thriving indoor market, and an outdoor market operating four days a week. The town has also attracted some headquarters of banks and insurance companies.

Mr Peter Bulmer, assistant director of planning, says: "We estimate that of the 2,221 jobs created at Preston Riverways, the docklands redevelopment, 810 are office based."

Despite these successes in service industries, including tourism, the backbone of the economy has been aerospace, where

British Aerospace has announced that by 1993 its Strand Road plant is to close down. EAP Consultants, asked by the borough council to study the impact of the closure suggests that unemployment could rise from 11 to 17 per cent by 1993. About 2,000 jobs will be shed from the original Strand Road workforce of 4,500; a further 500 through natural wastage. Further jobs will be lost among sub-contractors to BAe.

Even if pessimistic forecasts are not realised, Preston will still have a job on its hands to find new employment. The strategy is to try to encourage home grown companies and to secure the relocation of outside companies, ideally small to medium high technology companies which will avail themselves of the existing skills base.

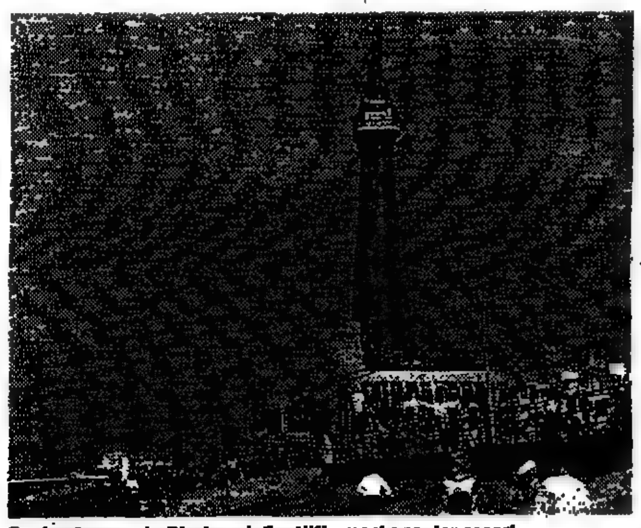
Mr David Borrow, leader of Preston borough council, says: "We need to make sure we do not lose the highly skilled labour that we have here. We want smaller companies because we want to avoid the branch factory mentality where decisions to close factories are taken by distant parent companies."

In the past a shortage of industrial land has acted as a brake on attracting new manufacturers, but 1m sq ft of space should become available at the Strand Road plant. A further 200 acres for industrial use have been identified; some belong to the Commission for New Towns (CNT), which took over from the Central Lancashire New Town Development Corporation. At about £100,000 an acre, it is competitively priced compared with other locations in the north west.

Preston receives aid under the urban programme and also derelict land clearance grants, but it does not qualify for assisted area status.

**Stewart Dalby**

Miller Arcade in Preston, the county centre



Seafront scene in Blackpool, the UK's most popular resort

Town profile: Blackpool

## Dilemmas amid the glitter

BLACKPOOL, Britain's largest, brashest and, in terms of money spent, most successful resort, is an overwhelming experience no matter what time of year you visit.

At 10 o'clock in the morning on a grey, drizzly day in late September the ornate ballroom in the Blackpool Tower is full of pensioners waltzing to a thundering organ. The streets are full of shoppers. The seven live shows are already taking bookings.

By lunchtime it is difficult to get near the bar of Yates wine bar (champagne on draught is its proud boast).

At a time when most British seaside resorts are pulling down the shutters for the end of the season, Blackpool remains in full swing. The famous illuminations, which remain switched on into November, also ensure that Blackpool has a longer season than other English resorts.

But beneath the glitter of the lights along the Golden Mile, Blackpool has its problems.

One cloud hanging over town is the future of the British Aerospace works at nearby Warton, where some 7,200 are employed, from various parts of Lancashire, including Blackpool. If the European Fighter Aircraft does not proceed, there will be severe job losses compounding an already serious unemployment situation.

Tourism is Blackpool's most important industry. Some 15,000 people are directly or indirectly associated with the trade or 25 per cent of the working population. (If retailing, distribution and catering in the broad sense of the term are included, then the figure is much higher). About 80 per cent of the working population is involved in service industries, compared with a national average of under 70 per cent. Only 15 per cent is involved in manufacturing compared with 24 per cent nationally.

Tourism is, however, a seasonal business which is slanted towards female employment. Even if Blackpool has a longer season than most resorts, unemployment is still high – more than 10 per cent overall, and in some inner city wards unemployment among young males is more than 20 per cent.

Tourism is also a poorly paid industry. Mr Ivan Taylor, the leader of the Labour party-controlled city council, estimates that incomes in Blackpool are 35 per cent lower than average incomes in the south-east.

"Blackpool has survived the change from old style long-stay family holidays very well," Mr Taylor says. "We have managed to extend the season with conferences and the illuminations. We have constantly brought on new products, such as the Pleasure Beach. There continues to be new private investment. First Leisure, which owns the Tower is spending £13m over two years on refurbishment and upgrading. We have been able to keep the visitors rolling in."

But the very success of Blackpool is at the heart of the borough council's dilemma.

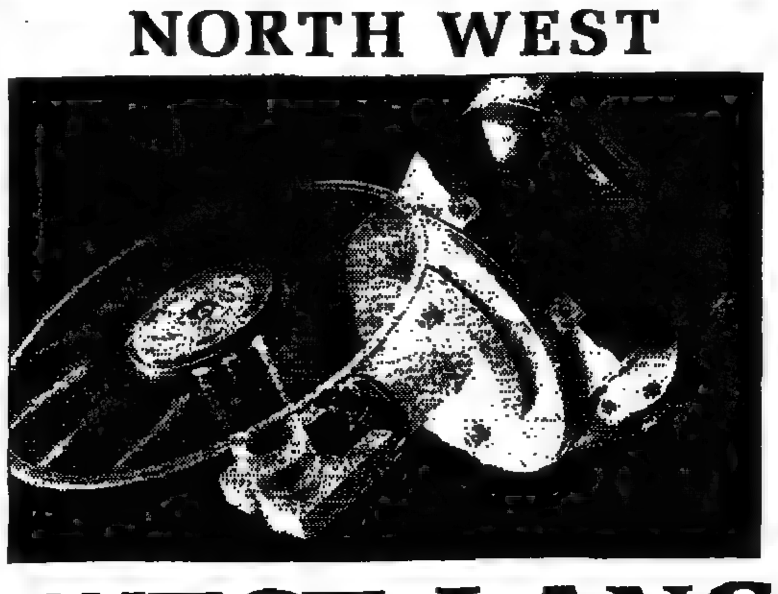
"We project the image of success in order to keep the visitors coming, but the heavy dependence on tourism means that the government in Whitehall does not see or accept that we have inner city problems as bad as anywhere in the north of England. We also have infrastructural problems." Mr Taylor feels Blackpool should receive more help in diversifying its economy.

"On the so-called Z-score, an index drawn up by the Department of Social Security for inner city deprivation, Blackpool came in the bottom 20 per cent of towns in the north of England. But we are not even in the urban programme."

Not being in the government's programme for urban aid means that Blackpool cannot participate in City Challenge bids for urban renewal. Furthermore, because Blackpool no longer qualifies for British government assisted area status, the town receives no help from the European regional development fund (ERDF) towards infrastructure projects.

Mr Taylor says: "Our sea defences are in need of repair. Also we have the oldest electric tramway system in the country: together with the illuminations, this taxes our electricity system. We need new cabling. This would cost £8m. The borough council has not got this kind of money."

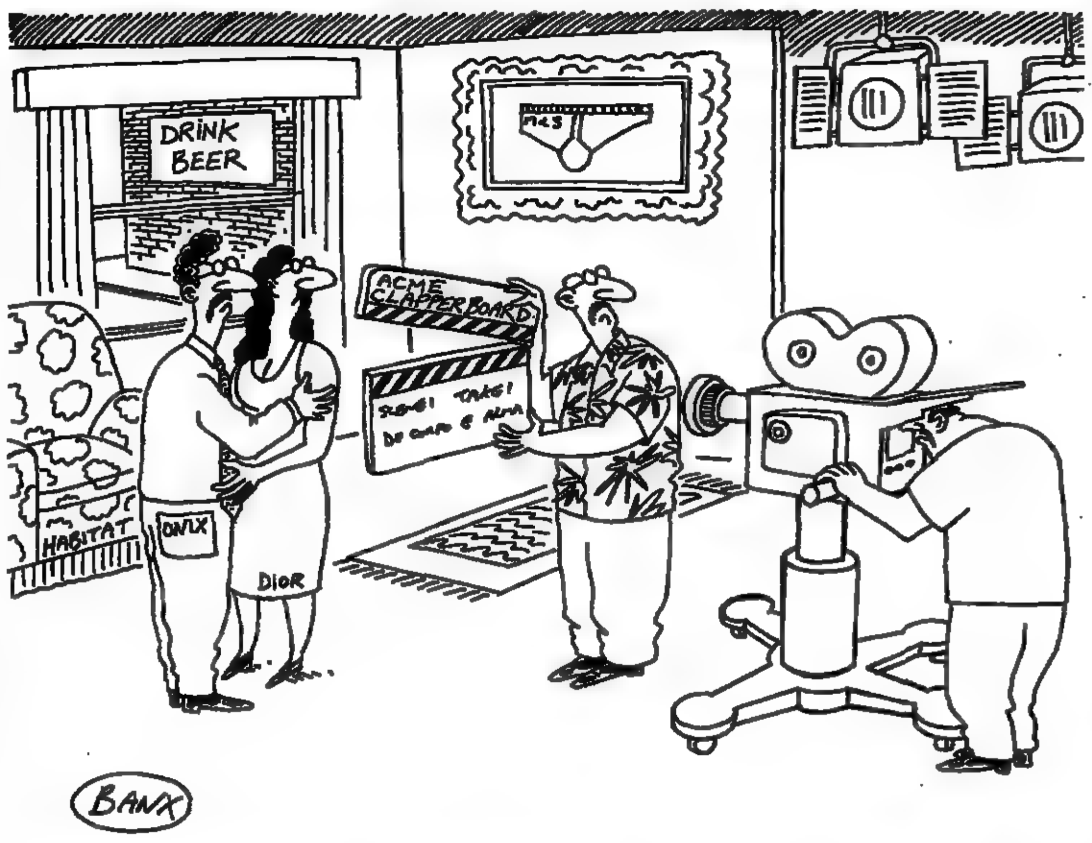
**Stewart Dalby**



# MANAGEMENT: MARKETING AND ADVERTISING

Mass-appeal TV programmes which sell a wide range of consumer goods and services as part of the story line are big business in Brazil. **Christina Lamb** reports

## Soft soap and high drama



The attractive young woman walks along the road, hips swaying provocatively and a boutique bag swinging from her shoulder. Stopping at a bar, she sits down and takes out a shoe box.

Suddenly Reginaldo, her punk haired would-be paramour, appears as she opens the box and removes a sports shoe. Caressing it lovingly, he places it on Yasmin's foot.

After a tantalising few seconds she flounces away leaving Reginaldo holding one of the shoes which he takes to his room, kisses, and holds up to Ze, his pet skeleton. Dancing round the room with the shoe, he finally places it on his bedside table next to Yasmin's photo.

The scene is from *De Corpo e Alma*, Brazil's top soap opera which draws a 50m-plus audience six nights a week. To the innocent viewer it all seems part of the story of Reginaldo's obsession with Yasmin. But by the end of the 90-second sequence, the camera has focused seven times on the Azaleia label and the shoe company can expect an instant increase in sales.

For what the viewer has just experienced is a lucrative spot of merchandising – the Azaleia shoe company cashing in on the Brazilian national obsession with *novelas* or soap operas. TV Globo, Brazil's main channel, claims that seven out of 10 televisions are switched on to the *novelas* which make up two-thirds of programming between 6pm and 10pm.

And so powerful is the force of *novelas* in promoting new trends that Marcos Grahl, media planning director at Standard, Ogilvy & Mather, says: "If a star of a popular series appears with her hair dyed red, you can bet you'll suddenly see a whole lot of dyed redheads in the street."

Boutiques frequently report selling out of particular lines the day after they are worn in a *novela* and, currently, male strip clubs are springing up everywhere because of the prominent role of one such *Clube das Mulheres* in *De Corpo e Alma*.

Ingrid Buzkman from the Contemporaneo advertising agency recently used the *Doce do Amor* soap opera to launch a new range of Triumph lingerie and has no doubt of the medium's pull: "It's fantastic. You have an enormous audience and you're speaking to your consumer when he's absorbing 100 per cent and is not unresponsive as he would be during a normal commercial slot."

Banned in many countries – though used increasingly in the US film industry – perhaps nowhere is merchandising used as blatantly as in Brazilian soaps.

Conversations take place over bottles of Antarctica beer, business deals are struck in Itau bank, dinner parties use Santa Marina glassware. Jeans, watches, fridges, even underwear, are all making appearances, sponsored by their makers. In last week's episodes of *De Corpo e Alma* eagle-eyed viewers could spot the camera zoom in on Renner paint as young Junior watched his room being redecorated, admiring the colour at some length, or catch his father using his Itau credit card in a toy store, lingering over the trade name.

Merchandising is used so extensively that the Brazilian advertising industry defines it jokingly as "advertising which sometimes has a *novela* in the middle".

TV Globo has been selling merchandising spots for the last 15 years and now has a 120-member support department largely for this purpose. Its director, Jorge Adib, is a staunch defender: "Merchandising exists because of the need to give authenticity to a novela. *Novelas* focus on the day-to-day lives of people – they travel by car, they drink beer, they catch flights, they check the time, so we need real cars, beer, planes and watches. As good capitalists, we use the products of those who pay."

TV Globo's only rule is that it will not allow merchandising of cigarettes, drugs or hard drink, nor anything of a dubious nature. Each series can feature only one bank and one brand of beer and no product can appear more than eight times.

A bank will appear roughly every 20 episodes. Merchandisers pay about the same per product appearance as they would for a commercial spot at that time – an average $30,000 (£19,800).

According to Adib, the company aims to cover a third of the production costs of each soap-opera through merchandising, which averages $33,000 in revenue per episode and around $20m a year.

He has no doubt about the pull: "It's a very powerful vehicle because you're not obviously promoting a product, but rather creating the sympathy of the viewer for it."

Washington Olivetto, who runs the creative agency, W/Brasil, agrees. "If well used, merchandising can be very effective. A couple kissing in front of a bank might just irritate a consumer but a man dreaming of owning a brand new Volkswagen seems like part of the story. It needs to appear as reality."

To achieve the natural touch, as soon as Adib's team receives the synopsis of a new *novela*, it starts focusing on "sales opportunities".

"We don't change or destroy characters or interfere with the story line, but we may alter a character's trajectory," Adib says.

"Say for example that the writer has a scene involving an English journalist going to interview a businessman. We might suggest to the author that the journalist uses a Bic pen and, if he or she agrees, then whenever this character does an interview the same pen will be used. Then we might choose a Ford car for the journalist to travel in and may even suggest stops on the way to the interview to buy shoes," he says.

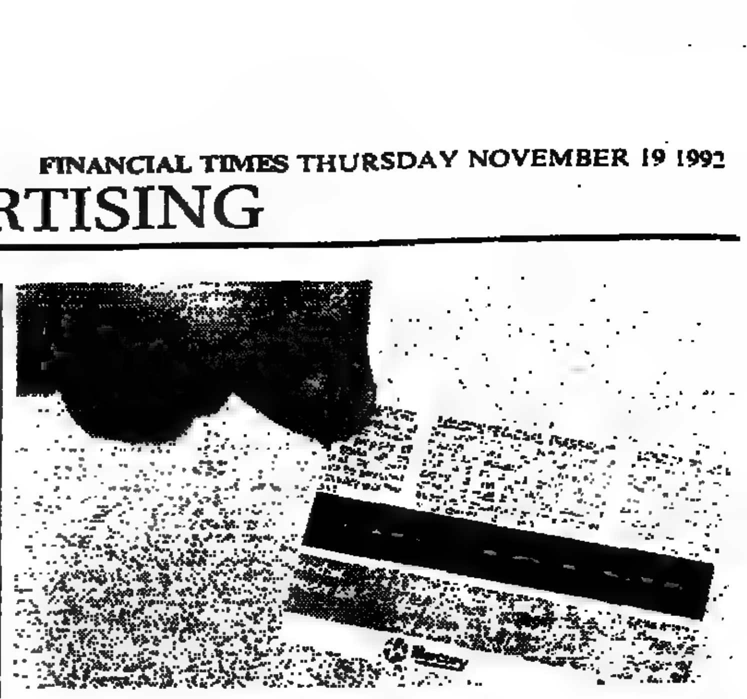
Once this has been cleared with the writer and the artists, both of whom will receive a bonus, Adib approaches his clients to suggest the appearances. Unlike normal advertising, the client cannot see the clip before it goes out.

In some cases the product even becomes part of the story. In this year's hit, *Pedra sobre Pedra*, the main character, Jorge Tadeu, is a denim-clad photographer with whom all the women in the village fall in love. After his death, the women remember him every time they sees a pair of his trademark Onix jeans.

Another case this year where merchandise became integral to the story was the policeman in *Perigosas Peruas* who was almost stripped of his commission after modelling Y-fronts on billboards around the city.

Soap operas are frequently used to launch products or to change the image of a well-established product. Itau bank has been appearing in Globo *novelas* for 10 years as part of a long-term campaign to change its sober image and appeal more to the younger and less monied classes.

And Melissa plastic sandals, which are now the rage in trendy Copacabana and Ipanema, were mostly only bought by poor slum dwellers until they started appearing on the feet of sophisticated soap opera characters five years ago.



## Going underground is just the ticket

**By Gary Mead**

Travellers on London's underground railway have long been accustomed to whiling away spare moments by studying the highly inventive and often attractive posters and artwork which line the stations and trains.

From today the 2m passengers a day who use the Tube have something else to study – the backs of their tickets. London Transport Advertising has reached agreement with Mercury Communications – tussling hard with BT for the ears of the telephone-using public – to carry Mercury ads on the back of Tube tickets.

Mercury is spending £2m on a television, poster and back-of-ticket campaign to spread its message. The slogan will appear on 20m daily and one-day travel card tickets. The message – "I must remember that Mercurycard Phones take credit cards" – is aimed at reinforcing the growing trend of using ordinary credit cards to make telephone calls.

LTA acts for London Transport, which runs London's buses and underground, and carries 11,000 different advertising campaigns, from the mammoth to the tiny, at any one time. LTA's turnover from selling advertising space is £28m annually, which, after costs, is ploughed back into LT.

In recent years the Tube, the first stretches of which were constructed in the 1860s, has been showing signs of its age. But its ingrained dirt has been enlivened by wonderful poster representations of paintings as well as mini-posters of some of the best poetry in English, the brainchild of a New York émigré, Judith Chernaik, who badgered London Transport into the scheme.

But the Tube is also home to some of the most creative outdoor advertising. Unlike most other outdoor poster sites, rapidly passed by and swiftly forgotten, underground passengers often have little to do but wait for their train and gaze around, giving copywriters and graphic artists the almost perfect, cross-class and multicultural captive audience.

Not that anything goes. Tube adverts are subject to close scrutiny by LT. In September 1988 it declined to carry posters for Martin Scorsese's film, The Last Temptation of Christ. In June it rejected one on behalf of the English Shakespeare Company, featuring a 1514 drawing by the German artist, Hans Baldung Grien, of (naked) witches from Macbeth. In July a poster commissioned by the Barbican art gallery from cartoonist Ralph Steadman, who has a dramatically violent style, was turned down. But the Mercury ads, both on the tickets and in every carriage, are likely to offend no-one, perhaps alarming only BT.

London Transport says that though Mercury's back-of-ticket advertising scheme is a first, other advertisers are beginning to form a queue. Indeed, according to Brian Robinson, managing director of LTA, back-of-ticket advertising could offer advertisers a highly targeted opportunity, with corner shop businesses potentially able to buy space on the back of tickets sold from a single station.

But as ill-luck would have it, Mercury's campaign looks like it will coincide with one of the Tube's most serious industrial protests for several years. Tube staff are threatening an all-out strike next week against planned redundancies. What chance a refund?

# ARTS

Cinema/Nigel Andrews

# Heroines in search of a plot

Imagine that you are a single white male and that into your darkened bed glides your supposed girlfriend. She is in the midst of doing unpublishably intimate things to you when you realise - horror! - that it is not your girlfriend at all. It is your girlfriend's girlfriend.

Barbet Schroeder's *Single White Female* is a delectably creepy tale of role-exchange from the director of *Reversal Of Fortune*. Much psycho-nonsense is spoken in the press notes about "delicate symbiosis," "dyadic conflict" and the like. But we know where we are - grand guignol country - from the first spooky play with malfunctioning lift-doors to heroine Bridget Fonda's warning prowl around her plain-Jane new flatmate's suspicious personal effects. Expensive perfume? Pearl earrings? Jewelry?!

Miss Fonda, a comely computer software expert, has placed the personal ad ("Single white female seeks same") after the loneliness-inducing crisis of a broken romance. Dumpy Jennifer Jason Leigh answers. But the new rent-sharer's initial input of love, labrador pups and shoulders-to-cry-on is soon modulating to sexual jealousy, knifed neighbours and defenestrated pooches.

Like most mystery thrillers, the film is better with the mystery than the thrills. These last come tumbling down on us in the final reel as if someone has opened a cupboard in the Gothic Props department: "dead" persons returning to life, hairs-breadth chases through boiler rooms, zappings with iron hooks...

How much less frightening than the early drip-drip of anxiety as Ms Fonda watches the schizophrenic Ms Leigh titrate one personality into another, recolouring her little girl lost as waif-with-a-vengeance. Schroeder and screenwriter Don Roos, adapting a novel by John Lutz, know when to leaven suspense with laughter. (Protective gay neighbour to frightened Fonda: "I can be butch when I want to. I get it from my mother.") And designer Milena Canonero turns the European-style New York apartment - all high ceilings, ornately jaundiced walls and crumbling balcony grilles - into a crucible for terror as resonant as any since *Rosemary's Baby*.

★

David Lynch's *Twin Peaks: Fire Walk With Me* is a strange film. Is it the exhausted ravings of a writer-director still trying to coax money from a cult TV series? One suspects it is. This two-hour prequel discloses the before-death hi-jinks

SINGLE WHITE FEMALE (18)
Barbet Schroeder

TWIN PEAKS: FIRE WALK WITH ME (18)
David Lynch

SISTER ACT (PG)
Emile Ardolino

of murdered "heroine" Laura Palmer (Sheryl Lee). Once supposed a small-town innocent, Palmer is here revealed as Miss Loose Morals of the 1990s. She is a girl who sleeps around, sniffs coke, tears off her top in red-light dance dives, has sex à trois, and wears a smouldering come-hither look that Jean Harlow would be proud of.

Meanwhile Agent Cooper (Kyle MacLachlan) flexes his storm-lantern jaw somewhere in the spirit world; David Bowie, Kiefer Sutherland and others float through in guest cameos; and there are walk-in mirrors, secret diaries, bloodthirsty prowlers and sudden deaths. In short, anyone caught mentioning the words "Norman Rockwell" in this American small town would probably be lynched.

The charm of the TV *Twin Peaks* was its elusiveness. Evil was present but metamorphic. The audience was kept hungry for the solid food of information through endless servings of weird canapés and surreal titbits. The movie instead, knowing it cannot keep a *topos* bar going through a two-hour film, heats up the red meat, sloshes on the wine, hurls in the gypsy violinists and ends up effectively raping the audience's taste-buds.

With this film David Lynch becomes the most annoying director in America. He looked like a genius in *Blue Velvet*; he blew it with the kitschy hyperboles of *Wild At Heart*. He looked like a genius again in early episodes of *Twin Peaks*; the peaks blow it here, creating the most ozone-destroying, tourist-deterring eruption since Mount Saint Helen's.

★

Whoopi Goldberg in *Sister Act* is the week's third heroine in search of a cogent plot. American audiences clearly think she found it: the film made $137m, third only this year to *Lethal Weapon 3* and *Beauty And The Beast*. Indeed combine a police chase thriller with a fairy story and you have this tale of a mob-hunted black cabaret singer (Miss G) who finds sanctuary and - yes - salvation in the nunnery where the police hide her as a protected witness.

Think of *Nuns On The Run* and multiply by minus six. Jokes are thin, sentimentality is rife and among those peering into the camera lens making funny faces are Maggie Smith (Mother Superior), Harvey Keitel (chief mobster) and Miss Goldberg herself, whose unlikely saxpot-chanteuse is matched by her more unlikely "sister act." When she coaches the rickety convent choir in hip hymns and swinging spirituals, and they perform them before the visiting Pope (see the back of His Holiness's head as he bops along in the organ gallery), all sane British filmgoers will run screaming to the nearest pub.

Why America's filmgoers stayed and paid is a puzzle. Perhaps the gluttonous message about sisterly love transcending self-interested hide-and-seek appeals to popular taste in the age of post-yuppie piety. Then again perhaps audiences just like seeing Misses Goldberg, Smith and company going over the top and staying there, even though rightminded cinephiles wish they would return to the trenches.

★

Talking of rightminded cinephiles, *Sight and Sound* magazine has published its latest Top Ten Films Of All Time international critics' poll.

It has its its share of non-surprises. *Citizen Kane* tops the chart for the fourth decade running. Renoir's *La Règle du Jeu* and Eisenstein's *Battleship Potemkin* are once more the arthouse favourites. And Hitchcock's *Vertigo* and John Ford's *The Searchers* still carry the torch of popular Hollywood up the pantheon steps.

The casualties are more interesting than the survivors. Italian cinema has fallen down the stairway completely. No *Bicycle Thieves* nor *L'Avventura* nor *8½*. *Singin' In The Rain* has plummeted from third-equal in 1982 to nowhere in 1992. And Buster Keaton's *The General* has tumbled into oblivion from a precarious tenth.

Meanwhile Eastern cinema has crept back in with Ozu's *Tokyo Story* and Ray's *Pather Panchali*. So have those austere hermit-mystics Carl Dreyer (*The Passion Of Joan Of Arc*) and Stanley Kubrick (*2001: A Space Odyssey*).

What does it all mean? My theory is that the new list is pre-millennial: suggesting a nervous alertness in us all to those new slabs of time, and perhaps space, awaiting us eight years hence. Localised angst or antics from such as Antonioni or Keaton - Mediterranean alienation, Civil War knockabout - have yielded to more mystical echoes from distant lands and times. Even the two American crowd-pleasers ascending the chart - *Vertigo* and *The Searchers* - are about loss and being lost; about precise places turning into landscapes of infinity.

Or then again, perhaps the poll just reflects the knock-on processes of movie fashion and research. Such-and-such a film is restored or reassessed (like Vigo's *L'Atalante*, back in the list after a three-year absence); while others (Kurosawa's *The Seven Samurai*, third in 1982, out this year) have a decade of benign neglect.

Only *Kane* seem immune to all caprice. It must be magic. There it stands, the greatest movie conjuring trick of all time: a film whose feats of technical prestidigitation have been analysed countless times, a film that even gives away its own plot secret (Rosebud equals sled), yet a film so sublimely convoluted that it has a dozen enigmas for each one that is solved.

*Sight and Sound* Top Ten: *Citizen Kane, La Règle Du Jeu, Tokyo Story, Vertigo, The Searchers, L'Atalante, The Passion Of Joan Of Arc, Pather Panchali, Battleship Potemkin, 2001: A Space Odyssey.*

Grand guignol country: Bridget Fonda and Jennifer Jason Leigh in 'Single White Female'

Theatre

## Travels With My Aunt

Alastair Muir

John Wells

Wit is not the quality primarily associated with Graham Greene, though perhaps he became more light-hearted as he grew older. Certainly *Travels With My Aunt*, published in 1969, is a very witty novel. It is even better as a play or, more accurately, as a stage performance.

The first stroke of brilliance on the part of Giles Havergal was to see that it could be acted at all. The second was to adapt it almost as a cabaret. There is a cast of only four: all men. Between them they switch parts and go through the whole delightful story from a funeral in a London suburb to a palace in Paraguay. Practically every line of dialogue is taken directly from the novel.

In the book the tale seems slightly bizarre: an ageing Aunt Augusta, who has lost neither her money nor her sexual urge, picks up her nephew, a retired and reclusive bank manager, and takes him on her travels. The adventures include a brush with the CIA and the aunt's eventual marriage to an Italian Nazi collaborator, with whom she has been involved for most her life.

Havergal's technique is simply to take sections of the dialogue and let the men speak it. Directing his own adaptation, he has chosen an impeccable cast. Of the four actors, Christopher Gee has only a few small parts, but his presence is necessary for the symmetry. All four are dressed in grey suits with waistcoats, white shirts, red tie and white pocket handkerchiefs.

If there is any discrimination between the main three, it is that only Simon Cadell is allowed to play the aunt. He does it to perfection: voice slightly high-pitched, sometimes faltering, neck arched, stooping shoulders and some marvellously restrained movements with his arms and hands. Yet even Cadell plays more than one role. All the actors switch in and out of the part of Henry Pulling, the nephew, which is a wonderfully clever way of giving life to one of the least exotic characters. The most outstanding is John Wells who has a stage presence that will be forever associated with his impersonation of Denis Thatcher.

It is in the smaller parts, male and female, that Wells and the other main actor, Richard Kane, excel. Kane plays Wordsworth, Augusta's black factotum and lover from Sierra Leone. Then he becomes Miss Paterson, the frail little spinster standing over the grave of Henry's father on a rainy day in Boulogne. There is a splendid vignette of all four of them in their grey suits and umbrellas as the Paterson story unfolds.

Wells is both Tooley, the drug-taking, possibly pregnant daughter of the CIA man whom he meets on the Orient Express, then the girl's father whom he comes across on the way to Asuncion. By this time Pulling has passed back to Cadell.

We should not forget that Greene was a narrative master, full of local detail like guarani. Even in this stage form, the story is never lost sight of. It is an evening to treasure and the novelist who never did quite so well as a playwright would surely have approved.

**Malcolm Rutherford**

Wyndham's Theatre
(071) 867 1116

## Ibsen and Bergman - a marriage made in heaven

*The first European theatre festival in Düsseldorf is proving a heady experience says Jackie Wullschlager*

President Mitterrand paid for it, Giorgio Strehler opened it, and Ingmar Bergman was the catch of week one. At the first European Theatre Festival launched last week in Düsseldorf, radical chic has never been more sparkling. Bergman and Ibsen; Strehler and Goldoni; Brecht directed by his son in law; a revolutionary Catalan *Figaro*; from London the RNT's *Angels in America*: stars stud the stage, tickets are gold dust, visitors fill smoky bars for midnight post-mortems. The mood recalls Edinburgh, the variety Vienna and the quality Salzburg: on the first few days' tasting this new festival, whose venue will change each year, looks set to become Europe's most heady and prestigious theatre binge.

Bergman doing Ibsen is a marriage made in heaven, and the Royal Theatre Stockholm's *Peer Gynt* offers a rare chance to see film-maker as stage director. *Peer Gynt*, its series of frozen scenes in Peer's life unravelled like magic boxes, is a natural vehicle for cinematic theatricality; in to it Bergman, always an autobiographical artist, injects a personal vision which transforms this often wooden piece into an emotional *coup de force*. A century on, Bergman's art is rooted in scenes close to Ibsen: moral integrity; a sense of sin powerfully visualised; individual expression within claustrophobic relationships; the meeting of dream and reality.

Bergman's set is a sinister red room, centre stage, enclosed within the larger frame of Peer's home. High, thick wooden walls carved with flowers, dim gaslights, a grandfather clock, a sturdy crib, hem it in on three sides. Actions, memories, are compressed into this chamber of the imagination; like dreams, each seen has its own visual logic. The wedding guests, in flame-red folk-dress buttoned up to neck and wrists, weighed down with gold brocade and buckles, hijack the room for a hellish, anti-erotic tap dance full of jerkily suppressed lunges for freedom. The trolls, green tarts in flounces, frills and dreadlocks, drag Peer on a rhino to an orgy in a madhouse. They hang over the roof of the room swinging erect green tails and snorting lewdly. Sex screams out, Peer hurtles about trying to conceal a huge rubber penis emerging between his legs.

Later, laser beams focus on top-hatted men in black encircling Peer; their accusations echo as distortions from loudspeakers across a vast auditorium and against a chorus of church bells: a choking vision of guilt.

Loneliness, repression and sin are the motifs. Solveig's family, Amish-style puritans, march in line like geese, fall to their knees chant prayers, a young child spies on Peer from a doorway. Based on Bergman's own upbringing, they are as chilling an emblem of cruel rectitude as the father in his film *Fanny and Alexander*. Lena Andre's Solveig, symbol of love, unwinds with conviction and subtlety from torment into a mix of nervousness/grace, fear/determination.

As Peer, Borje Andersson is Everyman: chubby, dazed, endlessly flexible face; round, hapless body; a dreamer whose desires are now pathetic, now comic, now horrifying. He sticks out his tongue at us, drops his trousers at the whiff of a woman; he is also the desperate loner; seeking warmth, meaning, justification. A magnificent, inexhaustible performance.

The European Theatre Festival to November 27 at the Dusseldorf, Schauspielhaus. Festival information 0211 36 87 136.

Song recitals/Richard Fairman

## Hagegard and Bonney 'Tender is the North'

If the re-opening of the Wigmore Hall had been delayed more than one month, there would have been problems. The festival of music from Scandinavia and the countries thereabouts, entitled "Tender is the North", is being shared between the Barbican and the Wigmore: the first pair of song recitals fell within what turned out to be the hall's opening week.

There is a good range of songs from which to choose. Any fear that this series of recitals would be heavy with Nordic gloom was quickly dispelled. To balance every song that has a chill in its bones - Stenhammar, for example, setting to music the story of a traveller blue with cold seeking refuge at night - there is another which will take as its theme the blossoming of spring. To that composers from Grieg to Sibelius have eagerly warmed.

This first pair of recitals came in tandem from Hakan Hagegard and Barbara Bonney. As far as the baritone's programme on Tuesday was concerned, the North may not have seemed as tender as the title would have us believe. The days when Hagegard was a soft-grained singer are behind us. He opened his programme with Sibelius, took the songs in high keys and gave them a brazen, heroic force, which set the voice bouncing off the back wall.

No doubt this is a good way to clear the tubes at the outset, but a tendency to sing big beyond the Wigmore's intimate needs ran through the evening. His main Scandinavian contribution comprised a group of five songs, *King Erik's Lieder*, by Türe Rangstrom. This was admittedly fairly glum Nordic stuff about a King ending his life in prison, but its dark (medieval?) feeling of oppression was chillingly caught by the baritone's concentrated singing.

There were some standard German songs, too, and it is worth noting a rare performance of Frank Martin's *Six Monologues from "Jedermann"*. Again, Hagegard brought force and tension to these awe-inspiring songs, while his pianist, Thomas Schuback, played as if he was tackling piano transcriptions of an orchestral accompaniment rather than a piano original, as is the case.

To catch more of the sun which dispels the Northern gloom, one had to be present at the companion recital on Sunday afternoon. Calling on the songs which she had chosen for her Edinburgh Festival programme, Barbara Bonney put together a selection of brighter Scandinavian settings, starting with a first half devoted to Grieg. This was unrelieved sunshine, forests and lakes, all sung with lovely simplicity by Bonney - fully deserving of Grieg's description, "beautiful child of spring".

Not much variety there, though. By the second half it was time for the darker clouds that sometimes cast a shadow over Stenhammar and Sibelius (the latter's songs are already looking the most impressive the North has to offer) even if Bonney was pushed to find the vocal depths for which some of them call. Geoffrey Parsons was her admirable pianist. Incidentally, the baritone and soprano are also husband and wife, though that was nowhere mentioned in the programme.

Sponsored by Skandia Group and British Airways

# INTERNATIONAL ARTS GUIDE

## ■ ANTWERP

A new production of Lully's Armide, conducted by Philippe Herreweghe and staged by Patrice Caurier and Moshe Leiser, can be seen at De Vlaamse Opera tonight, Sat and Sun afternoon. The cast includes Sylvie Brunet and Howard Crook. The production will also receive six performances at Théâtre des Champs-Elysées in Paris, starting Nov 30 (233 6685)

## ■ ATHENS

Tonight's recital at Athens Concert Hall is given by Chilingirian Quartet. Sat: Sergey Stadler plays violin sonatas by Brahms, Beethoven and Tartini. Mon: Russo Quartet. Tues: Armenian Philharmonic Orchestra conducted by Loris Tjeknavorian. Wed: Marina Krilovici song recital (722 5511)

## ■ DRESDEN

● A chamber orchestra formation of the Dresden Staatskapelle plays works by Denisov, Bruns and Shostakovich tonight in Semperoper. Tomorrow and Mon: Les Contes d'Hoffmann. Sat and Tues: Arabella with Felicity Lott. Sun and Wed: Der Rosenkavalier (484 2731)

● Miltiades Caridis conducts Dresden Philharmonic Orchestra in works by Haydn, Kodaly and Strauss tomorrow at Kulturpalast. Sun: Dresden Philharmonic Chorus takes part in a concert of sacred music by Fauré and Bruckner. Nov 28, 29: Roy Harris' Third Symphony (486 6306)

## ■ FLORENCE

**Teatro Communale** 21.00 Semyon Bychkov conducts Mahler's Second Symphony, with Maria Bayo, Christa Ludwig and Orchestra and Chorus of Teatro Communale (repeated tomorrow, Sat and Sun afternoon). Nov 25-Dec 11: Coppélia (277 9236)

## ■ GENOA

Tomorrow evening and Sun afternoon at Teatro Carlo Felice, Lu Jia conducts a concert featuring works by Mozart, Strauss and Schubert. The opera programme continues on Dec 12 with the first of six performances of the Bolshoy production of Prince Igor (589329)

## ■ THE HAGUE

**Dr.Anton Philipszaal** 20.15 Leonid Grin conducts Hague Philharmonic Orchestra in Tchaikovsky's Violin Concerto (Lydia Mordkovich) and Shostakovich's Tenth Symphony, repeated tomorrow. Mon: Hartmut Haenchen conducts Netherlands Chamber Orchestra and Chorus in sacred works by Penderecki and Bach family. Next Wed: Symphony Orchestra of Bolzano e Trento plays Rossini and Haydn. Next Thurs: Labèque Sisters (360 9810)

## ■ LONDON

**THEATRE**

● Oedipus Trilogy: the RSC's production of Sophocles' plays has its last performances of the season tomorrow, Sat and next Thurs. The repertory also includes Romeo and Juliet and The Two Gentlemen of Verona. Japanese director Yukio Ninagawa's production of The Tempest will make a brief appearance at the Barbican next month (Dec 3, 4, 5). Hamlet starring Kenneth Branagh opens on Dec 12 (Barbican 071-638 8891)

● No Man's Land: Harold Pinter and Paul Eddington in Pinter's 1975 play. Till Dec 19 (Almeida 071 359 4404)

● Annie Get Your Gun: a wild west story, peppered with Irving Berlin songs. Previews start tonight. Press night next Wed (Prince of Wales 071-839 5987)

● Macbeth and The Tempest: a season of English Shakespeare Company productions directed by Michael Bogdanov opens next Wed (Royalty 071-494 5090)

**OPERA/DANCE**

**Covent Garden** The Royal Ballet has Kenneth MacMillan's Mayerling (tonight, Sat, next Thurs) and Swan Lake (next Tues). The Royal Opera has John Cox's new production of Die Frau ohne Schatten, conducted by Bernard Haitink and designed by David Hockney (tomorrow, next Mon, Wed and Sat). Madama Butterfly is revived next Fri (071-240 1066)

**Coliseum** ENO's repertory for the next two weeks consists of Wozzeck and Ken Russell's new production of Princess Ida (071-836 3161)

**CONCERTS**

**South Bank Centre** In tonight's Philharmonia programme conducted by Hugh Wolff, Lynn Harrell plays Haydn's Cello Concerto in C. Tomorrow and Sun: Gustav Leonhardt conducts Orchestra and Choir of Age of Enlightenment in works by Purcell and John Blow. Sat: Glen Campbell in concert. Sun afternoon: Shura Cherkassky piano recital. Next Tues: Young Musicians Symphony Orchestra plays Satie and Ravel. Next Wed: Libor Pesek conducts RLPO. Next Thurs: David Willcocks conducts sacred works by Duruflé and Poulenc. Next Fri: Irina Arkhipova song recital. Next Sat: Mariss Jansons conducts LPO. Dec 2: James Levine conducts Vienna Philharmonic. Dec 3: Les Arts Florissants (071-928 8800)

**Barbican** Tonight's concert is by Don Lusher Big Band. Tomorrow: Olaf Bär sings Mahler's Kindertotenlieder with CBSO under Simon Rattle, who also conducts two Nielsen symphonies (followed by a similar programme on Nov 28). Sat: Drottningholm Theatre Saga, narrated by Elisabeth Söderström. Sun: Christopher Hogwood conducts Messiah. Tues: Paavo Berglund conducts ECO in music by Sallinen and Nielsen. Next Thurs and Sun: Colin Davis conducts Sibelius. Next Fri: Andrew Davis conducts BBCSO. Nov 30: Yuri Bashmet. The Barbican's Scandanavian arts festival runs till Dec 13 (071-638 8891)

**Wigmore Hall** Tomorrow: Karita Mattila. Sun morning: Hakan Hardenberger. Next Tues: Solveig Kringelbotn (071-935 2141)

## ■ MADRID

**Auditorio Nacional de Musica**
Tonight's chamber music concert is given by Lille Sextet. Tomorrow, Sat, Sun: Antoni Ros Marba conducts Spanish National Orchestra in a concert in honour of the 80th birthday of Catalan composer Xavier Montsalvatge. Next week: Jerzy Semkov conducts Sibelius and Brahms (337 0100)

## ■ PRAGUE

**CONCERTS**

● Tonight and tomorrow in Dvořák Hall, Jean Fournet conducts Czech Philharmonic Orchestra in works by Chausson, Frank Martin and Ravel. Next Tues: Czech Radio Symphony Orchestra plays works by Britten, Weber and Berlioz. Next Wed: piano trios by Beethoven, Brahms and Petr Eben. Next Thurs, Fri: Jiri Belohlavek conducts Mahler (286 0111)

● Forthcoming events at Smetana Hall include a Mozart and Haydn concert by Ars Rediviva on Sat and Prague Symphony Orchestra concerts next Tues and Wed conducted by Petr Altrichter, including orchestral extracts from The Ring (232 2501)

**OPERA**

● National Theatre has Die Zauberflöte tonight, a ballet evening tomorrow and Sun, and Hurnik's opera The Ladykillers next Wed (205364). Le nozze di Figaro can be seen at Estates Theatre on Tues (228658)

● Prague State Opera has a new production of Salome opening on Sun (269746)

● For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 260693, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

## ■ STOCKHOLM

● Shnitke's ballet Peer Gynt, choreographed by John Neumeier, can be seen at Royal Opera tomorrow evening and Sat afternoon. The repertory also includes Suppé's operetta Boccaccio and Ingvar Lidholm's new opera A Dream Play (248240)

● Gary Bertini conducts Swedish Radio Symphony Orchestra on Sat afternoon at Berwaldhallen. Next Fri: Esa-Pekka Salonen conducts symphonies by Haydn and Sibelius (784 1800)

### European Cable and Satellite Business TV

(all times CET)

**MONDAY TO FRIDAY**

*CNN*
2000-2030, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman

*Super Channel*
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly - global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

*Sky News*
2030-2100, 2230-2300 FT Business Weekly

**SATURDAY**

*CNN*
0900-0930, 1800-1830 World Business This Week - a joint FT/CNN production

*Super Channel*
0830-0900 FT Business Weekly

*Sky News*
1130-1200, 1730-1800 FT Media Europe

**SUNDAY**

*CNN*
1030-1100, 1800-1830 World Business This Week

*Super Channel*
1900-1930 FT Business Weekly

*Sky News*
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Thursday November 19 1992

# Safe haven for Moslems

IN THE spring of last year western governments were in a quandary about Iraq. They did not like what was going on there, but were fearful of the consequences of doing anything about it, and tried to escape doing so by disclaiming any responsibility for the Kurdish uprising. But they found they had misjudged public opinion and moved sharply into a different gear. Troops were sent in, President Saddam Hussein withdrew his forces, and a "safe haven" was established in which the Kurds could return to their homes.

We may now be close to a point where something similar will happen over Bosnia. Public opinion in Britain has been aroused by the Home Office's mishandling of an attempt by a British charity to bring a small group of 183 refugees to Britain. By saying that these particular refugees are no different from 2m other displaced people in former Yugoslavia, Mr John Major has simply highlighted the scale of the problem, and the inadequacy of Britain's response.

His government argues, rightly, that accepting those 2m people in foreign countries would not be the right solution to the problem. It would amount to validating the odious Serb tactic of "ethnic cleansing", that is, mass expulsion. They should, where possible, be enabled to return to their homes, or at least resettled in their own country. Britain claims that, through its small contingent in the UN force in Bosnia, it is making a contribution at least as important as is Germany by taking larger numbers of refugees. Far better to feed and protect the people on the spot than to evacuate them hundreds or thousands of miles from their homes.

### Intervention force

Yes, but the UN force is neither large enough nor adequately equipped or mandated for the task. It is getting food through intermittently to Sarajevo and other beleaguered cities, but not in large enough quantities to avert the prospect of tens of thousands dying of cold and starvation within the next few weeks. And even if people are fed, they cannot be expected to stay in their homes under constant shelling. If the war is to be stopped on any other basis than acceptance of Serbian victory and removal of most of the Moslem population, a much larger intervention force is needed, with a clear mandate to secure a "safe haven" for that population, as was done for the Kurds last year.

Legally such a move is less problematic than it was in Iraq, because it does not involve overriding state sovereignty. The Bosnian government, internationally recognised as sovereign, has been calling for military intervention for months.

### Actively opposed

The practical objections are of course more serious. The operation might well be actively opposed by Serb forces. Neither its outcome nor its duration could be guaranteed. The objective could not be the liberation or conquest of all Bosnia, since most of the Serb community (comprising roughly one-third of the population) must be presumed to be hostile. It could only be to secure a sufficient area for the Moslem population to live in safety, and to put them in a position from which they would have some hope of negotiating an equitable political settlement with the other two communities. It would require an explicit mandate from the UN Security Council, backed up by tighter enforcement of sanctions to choke off Serbian aid to the Bosnian Serb forces. The intervening force could be supplied by Nato or the Western European Union, with the US providing air cover and logistical support even if it does not commit ground troops.

Western governments are rightly cautious about embarking on such an enterprise. But they have to face up to the consequences of not doing so: acceptance in EC countries of most of the 2m already displaced and probably many more yet-to-be-displaced persons, with much more bitter arguments about the share each country should take; a wave of similar conflicts elsewhere in central Europe and the former Soviet Union, as ethnic cleansing is seen to be the effective way to deal with unwanted minorities; and a wave of anti-European anger throughout the Moslem world, where it is already universally believed that the Bosnians are being left to their fate only because they are Moslems.

# Tunnel vision in Brussels

WHEN MR Filippo Maria Pandolfi became European research commissioner four years ago, he inherited in the EC's high definition television (HDTV) policy a costly prestige project which had lost its way. But instead of setting the policy back on track, Mr Pandolfi and his colleagues appear intent on moving it still further in the wrong direction.

The HDTV programme was conceived in the mid-1980s chiefly as a means of bolstering Europe's embattled electronics industry. Pioneered in Japan, the technology promised not just to revolutionise home entertainment by bringing cinema-quality pictures to the small screen, but also to trigger a bonanza for makers of television sets, video recorders and advanced electronic components.

Urged on by Philips and Thomson, Europe's two main consumer electronics manufacturers, the EC agreed to fund the development of its own HDTV technology and broadcasting standard, HD-Mac. Central to its approach was the belief that gaining supremacy over standards would put the Japanese at a disadvantage by forcing them to compete on a battleground defined by European manufacturers.

However, two obstacles have emerged to frustrate the grand strategy. First, European broadcasters have balked at committing themselves to supply services and programmes in an HDTV format while there are still no television sets to receive them. After trying to impose its will on the broadcasters by legislative diktat, Brussels sought to persuade them to make common cause with equipment manufacturers. Both tactics have failed.

### Different tack

The Commission is now trying a different tack. It will today ask telecommunications ministers for authority to spend Ecu850m over five years – on top of the estimated Ecu1bn in subsidies already invested in HDTV technology – in an effort to win the broadcasters' co-operation. The money would finance production of programmes and studio equipment needed to broadcast wide-screen television services, as a stepping-stone to full HDTV. It is claimed that it could stimulate sales of television sets and video recorders worth Ecu70bn in the next 10 years.

But this proposal runs up squarely against the second obstacle. HD-Mac risks being made obsolete by more advanced, fully digital, HDTV systems under development in the US and other parts of Europe. These would make possible still more sophisticated services, carried on more channels using lower-powered transmitters. Some EC officials now admit privately that HD-Mac may never become widely established, while Brussels' public position on the standard has grown steadily more equivocal.

### Taxpayers' money

Even if HD-Mac's future were assured, the case for using taxpayers' money to create a market for it would be highly questionable. But the growing uncertainty over its future robs the Commission's proposal of any semblance of a coherent rationale. Indeed, the whole HDTV exercise is starting to look like an expensive European champion policy in search of a champion to back.

The EC needs to rethink its priorities and recognise that its HDTV policy started from the wrong premise. From the outset, it has been driven chiefly by the interests of equipment manufacturers and their national governments, which saw the programme as a way to create a market shelter from Japanese competition. Whether broadcasters, programme makers and viewers needed, or were ready to accept, what the producers were determined to provide was at best an after-thought in the formulation of strategy. It is hardly surprising that their response has ranged from indifference to outright hostility.

The sensible course for the Community is to abandon its costly dreams of technological hegemony and attempts to massage demand. Instead, it should seek to agree with the US on a common digital standard to be adopted on both sides of the Atlantic. That would not guarantee a rapid take-off for HDTV. But it offers the best hope of creating the mass market needed to bring HDTV out of the laboratory and into millions of living rooms.

The three Baltic states are struggling with economic hardships and the problem of Russian minorities, writes **John Lloyd**

# The winter of discontent

The first Soviet republics to achieve independence – Latvia, Lithuania and Estonia – have also been among the first to experience the harsher side of freedom. Half their population of some 8m live in poverty; heating and lighting are minimal. The leaders of the three Baltic states are concerned about surviving the winter – rightly, since the Lithuanians have just rejected the government of the Sajudis nationalist movement in general elections.

The three states assume that, when winter is over, the worst will be behind them. But the worst could be to come. Unemployment is starting to rise sharply; prices, which have risen steeply in recent months, are expected to increase further, albeit at a slower rate; and the big state-owned enterprises have yet to be restructured or privatised.

The difficulties facing the Baltic states are manifold: their economies are in decline; their criteria for citizenship are undefined or controversial; government institutions are embryonic.

Lithuania's nationalist government, headed by Mr Vytautas Landsbergis, was rejected because of the country's privation. The weakness of the country's political institutions has now provoked a dogfight over the transfer of power to the Democratic Labour party of Mr Algirdas Brazauskas, the former Communist leader. The Estonian and Latvian leaderships fear unemployment – most of all among their large Russian minorities, which they have not yet granted full citizenship, and which could rebel against the building of states of which they are not yet members.

Yet these are societies in transition. They have formal statehood, political plurality, constitutions in place, membership of the main international organisations, embassies at home and abroad. They have flags, anthems, national guards, sports teams, media and airlines. All have re-established the independence they enjoyed until 1940.

There is no present danger that these states will collapse back into a Russian embrace. At stake, rather, is whether they will for years be plagued with instability and poverty, or instead achieve a modest but productive place in the north-eastern corner of Europe.

First, their successes. All have introduced a currency – though only the Estonian kroon is hard, backed by gold returned to the republic from the Bank of England and pegged at eight kroon to the D-Mark. The link with the German currency has helped bring inflation down from 24 per cent a month in July to 7 per cent in September. The Latvian rublis has remained more or less stable against the hard currencies – now about 160 to the US dollar – but is backed "mainly by faith", according to Mr Uldis Klauss, a central bank adviser. The Lithuanian talonas is less stable, with a market price of 200-plus to the dollar, and fluctuates widely.

All the Baltic countries have begun privatisation: Lithuania claims to have privatised more than 80 per cent of state-owned dwellings; all have at least begun the sale of shops and small businesses. On Tuesday, the Estonian Privatisation Agency announced an international tender to privatise 38 state-owned companies. Mr Andres Bergman, the agency's head, said the aim was to tempt foreign investors to become "part of a manufacturing centre for northern Europe". The first list of Latvian companies to be privatised had to submit their plans yesterday – both foreigners and Latvians can bid for shares.

But to most Balts the price they are paying for the transition to independence still seems high. The International Monetary Fund, of which all three are members, has laid down a standard programme of monetary and fiscal discipline and rapid movement towards convertible currencies and privatised property.

"We are sticking to the IMF plan, absolutely, 100 per cent," says Mr Ivars Godmanis, the Latvian prime minister. "But it's very hard: how our old people will live this winter I don't know." Mr Teet Rajasalu of Estonia's Institute of Economics, reckons purchasing power has dropped by more than half since the currency was introduced earlier this year because of the steep rise in the price of imports, including energy. "By early next year our prices might reach world market levels – but not our wages."

Only Estonia, under President Lennart Meri and Prémier Mart Laar is unambiguously pro-market. One deputy from the ruling Fatherland bloc of parliamentary parties spoke of the ethical nature of sex shops (now opening in Tallinn) because they efficiently match demand with supply. Mr Ivar Raig, head of the parliament's budget committee, calls for a "real privatisation of land and companies, not the timid steps we have so far taken. This is the basic mission of our government."

The other two states, while seeing no alternative to market reform, hesitate. The Latvian premier, Mr Godmanis, heads a fissiparous coalition. To make his ambitious privatisation plans work he will need a more coherent government to be elected next spring. The central bank under Mr Eynart Repshe has a tight control of the money supply – so much so that Latvia's credit-starved enterprises are threatening strikes. Lithuania's state companies are still receiving credit from the central bank but production has tumbled and productivity has halved over the past year.

Lithuania, where a new left-of-centre government is now being formed, is the first to suffer a backlash against market policies, though all agree that the attempts to break up and sell off the state farms in the country were badly handled. "There could be real hunger this winter," warns Mr Brazauskas, although he insists the country will not "in principle" deviate from the IMF's narrow path.

For the politicians and the people throughout the region, economic problems dwarf the crises of the state and of citizenship. The fall of Mr Landsbergis is a warning that patriotism – and the hatred of the Soviet past which saw hundreds of thousands of Balts slaughtered or sluiced through the gulag a mere four decades ago – are not enough to keep voters' support. Yet in Estonia and Latvia, where most Baltic Russians live, there is no question that the state's policy of withholding citizenship is popular with the ethnic majority.

Mr Meri, urbane in his presidential mansion, is inclined to dismiss Russian protests against unequal treatment of the minority. He regards the threat by Mr Boris Yeltsin, the Russian president, to delay the withdrawal of troops from the Baltics as no more than posturing for the nationalists in his own country.

After talks with Mr Vitaly Churkin, the Russian deputy foreign minister, Mr Meri said that "we have agreed a kind of truce. Mr Churkin said that the impression given that troop withdrawals were linked to human rights here is wrong." In practice, said Mr Meri, laws demanding two-year residence and command of the language will be relaxed to allow more non-ethnic Estonians to become citizens.

Both Estonia and Latvia have returned to the independent status they enjoyed in 1940 and based citizenship on those people, and their descendants, who were citizens before the Soviet annexation. This excludes nearly all Russians, since the Soviet immigration was of workers, bureaucrats, soldiers and secret policemen. It means, as Mr Meri cheerfully explains, that the Russians are "not second-class citizens, they are non-citizens". Mr Godmanis says he is content to see Russians become Latvian citizens though less relaxed about the presence of 40,000 Russian troops, the largest presence in the Baltic states. He says that "the citizenship question will have to be defined by the next parliament" – though since most Russians presently cannot vote, it will not represent them.

A UN human rights commission, invited into Latvia by Mr Godmanis, is now preparing a report on the civil rights of non-ethnic Latvians. Mr Godmanis rejects any suggestion that the state is discriminatory. His – and the Estonians' – overriding need is to re-establish the state on the basis of its ethnic majority, and to ensure thereafter that the admission of others to citizenship is done on an individual basis.

Mr Churkin said on a flight back to Moscow that he was sure that the pull-out of his country's troops by next August would go ahead as agreed. Mr Brazauskas, who does not have this problem, believes the Russian threat in the Baltics no longer exists. He dismisses the possibility of a reactionary takeover in Moscow followed by a renewed thrust to the north on the pretext of protecting ethnic Russians. Neither Mr Meri nor Mr Godmanis share that insouciance. Mr Godmanis makes the point that "until the people see their government control the army, they will not feel that they have a real government". But none of the new crop of western ambassadors in the Baltic states believes that there is a serious Russian threat.

The last crisis, that of the state itself, can only be solved with time. It is first a matter of people; none of the new politicians were in the habit of making decisions, and thus they tend not to.

Some ministers are learning. Mr Godmanis in Latvia is clearly determined and tough; Mr Laar and Ms Lia Henne, Estonian deputy prime minister for economic reform, appear intelligent and quick; in Lithuania, Mr Vytenis Aleshkaitis the economic reform minister, has won glowing reviews from the little circle of foreign advisers and may stay in the new "technocratic" government promised by Mr Brazauskas.

But the ministries they run are still rudimentary. One minister spent a day adjudicating on where to put a photo-copier donated by a foreign government. In all the Baltic ministries, groups of men and women sit gossipping just like in the old Soviet days when it did not matter if they worked or not.

It is on the steets where the real money is being made – much of it illegal. The Baltics have become conduits for metals traders – men who make unwritten contracts for the supply of lead, copper, zinc and aluminium and ship it across lightly guarded borders and ports. Bribery is not uncommon. They are the *nouveaux riches* of the cities, flashing about in Mercedes cars and frequenting the hard currency bars, where they are tolerated for the business they bring.

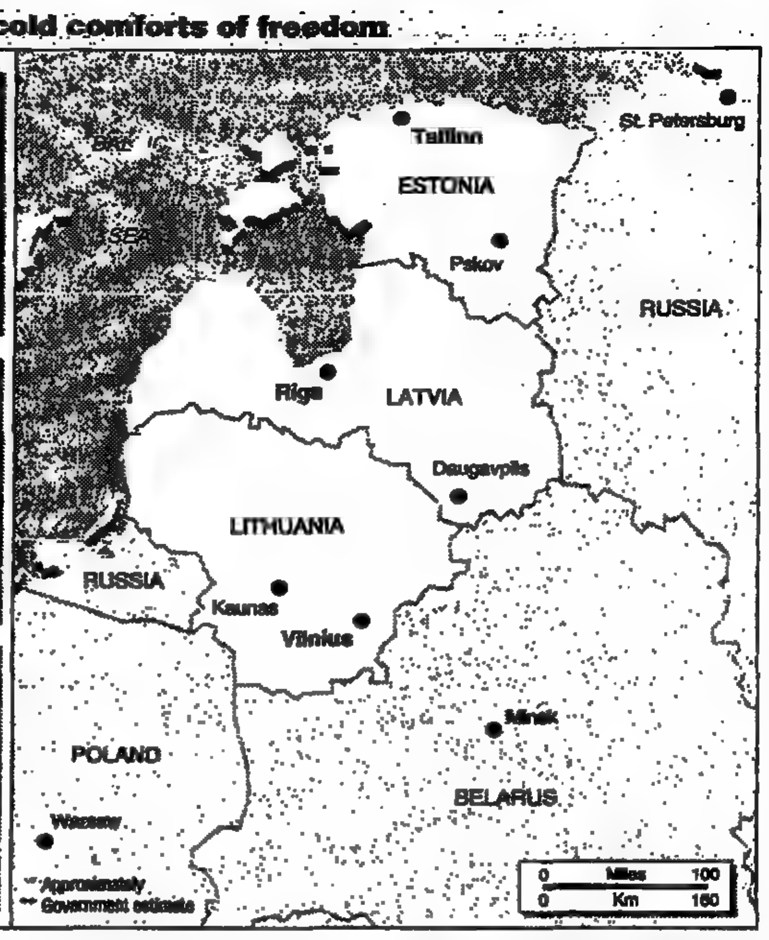
And the old reflexes of cheating the state live on. Yet there are also men and women, young and old, who will remain in cold offices late into the night, trying to master the new demands. This will be a hard time, but the three states on the Baltic are still moving westwards.

**The Baltic states: cold comforts of freedom**

| ESTONIA | |
|---|---|
| Capital: | Tallinn |
| Population: | 1.6m |
| Russian-speaking population: | *35% |
| Inflation October: | **10% |
| Minimum wage: | *$2 per month |
| Currency & rate: | kroon: 12.7: $1 |

| LATVIA | |
|---|---|
| Capital: | Riga |
| Population: | 2.7m |
| Russian-speaking population: | *over 40% |
| Inflation October: | **25% |
| Minimum wage: | *$10 per month |
| Currency & rate: | rublis: 160: $1 |

| LITHUANIA | |
|---|---|
| Capital: | Vilnius |
| Population: | 3.7m |
| Russian-speaking population: | *9% |
| Inflation October: | **27% |
| Minimum wage: | *$10 per month |
| Currency & rate: | talonas: 200+: $1 |



* Approximately
** Government estimate

*BOOK REVIEW*

# A mid-life makeover

REJUVENATING THE MATURE BUSINESS:
The Competitive Challenge
By Charles Baden-Fuller and John M Stopford
*Routledge, £10.95, 232 pages*

At a time of extreme and exaggerated gloom about British industry, it is refreshing to read a book which shows how, even in the most unpromising circumstances, good management can turn sick companies into world leaders. A pump maker in Scotland, a cutlery business in Sheffield, a steel castings producer in the Midlands – such companies may not catch the popular imagination like an Amstrad or a Sinclair, but they are what most of industry is about. In these and other cases reported by Baden-Fuller and Stopford, the much-maligned British manager has been doing an admirable job, not just in rooting out inefficiency, but in building new sources of competitive advantage over international rivals.

Hotpoint was almost broke when Schreiber took command in 1974. "Ten years of hard work . . . converted one of Europe's worst performing appliance firms with an appalling failure rate into a shining star, envied by all the industry leaders." When Bryan Upton became managing director of cutlery maker Richardson in 1966, the company was "small, broke and part of the smoke-stack and rust bowl of Sheffield". By the late 1970s it was making profits and growing. By 1990 "it was staking its claim as the world's largest, most profitable and most innovative producer of knives".

Leadership is important, but this is not a story of supermen, still less of quick fixes. Rejuvenating a mature business calls for teamwork at all levels. Top management has to instil a shared vision and an atmosphere of trust between previously distant groups – such as the service and production departments at Hotpoint, or the mechanical and electronic engineers at Richardson.

Going for a big hit – such as a massive investment in state-of-the-art technology – is almost always wrong. Progress is best made by many small steps, which spread the risks and prevent the organisation from betting everything on one initiative. "It takes years to build an entrepreneurial organisation and the foundations need to run deep."

One of the merits of this book is its challenge to conventional wisdom – for example, the notion that there are "good" and "bad" industries. The authors show by their examples that what determines a company's performance is not its choice of industry, but its choice of strategy.

Again, they question the idea that being number one or two in an industry gives a business unique advantages, or that economies of scale are always crucial. Hotpoint, for instance, had no ambitions to be a global player along with Electrolux or Philips-Whirlpool or to cover the full range of household appliances; with plants below the commonly accepted minimum size, it outperformed its larger rivals in flexibility, quality and profits.

The authors suggest a four-stage path to rejuvenation: galvanise, simplify, build and then exert leverage. The first step, usually prompted by a financial crisis, is to create a top management team dedicated to renewal. The second is to concentrate scarce resources on a smaller agenda. The third is to set about building new competitive advantages, and the fourth is to keep up the momentum, extending the new-found capabilities into a wider sphere of activity.

The transformation often involves what the authors call "frame-breaking" investments. Edwards, the BOC subsidiary, decided to attack the Japanese market for vacuum pumps – a radical move in an industry which had traditionally been bound within countries or regions; it demonstrated to everyone in the company the standards that had to be met in the world's most demanding market. Richardson defied convention by packaging its Laser knives as gifts. While the trade association thought the industry's future lay in classic silverware, with high margins and low volume, Richardson's focus was on fashionable, mass-market products.

At all stages the rejuvenators must be careful not to do too many things at once. "Problems arise when the sequences are rushed through in ways that lead subordinates to view them as no more than passing fads." To expect instant results from such over-hyped programmes as total quality management, time-based competition and empowerment leads to disappointment and disillusion.

There is no suggestion here that the patient rebuilding of a business is made more difficult by stock market pressures for quick returns. Most of the companies analysed by Baden-Fuller and Stopford were quoted or parts of quoted groups. They delivered excellent value to shareholders. Many of them managed a consistent record of pre-tax profits amounting to 25 per cent of capital employed, well above the level achieved by their competitors.

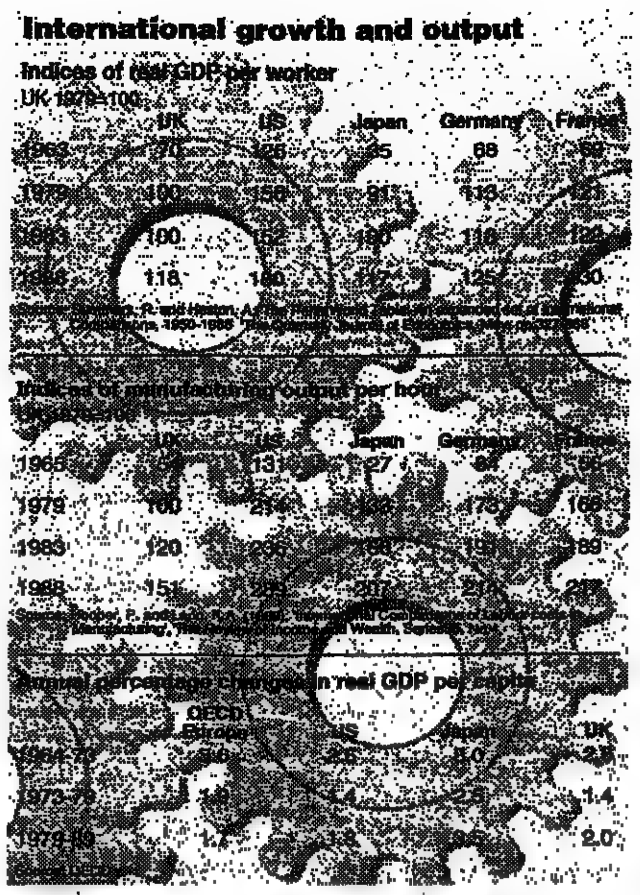
This book is both a description of how mature businesses have become entrepreneurial and a guide for managers who wish to follow their example. The message is optimistic: the survival of struggling companies is in their own hands. Instead of urging the government to "do something", managers would do well to read this book, and act on it.

**Geoffrey Owen**

## ECONOMIC VIEWPOINT

# Tour of world economy after the Berlin Wall

### By Samuel Brittan



Every successful human society works with a mixture of rules and spontaneous decentralised endeavours. You only have to go to any city shopping street to see stores driven by the profit motive and shoppers trying to gain the most for every pound or dollar or D-Mark they spend. You will also see traffic lights regulating the vehicles and policemen enforcing traffic rules – although the most important of the rules, such as driving on one side, do not depend mainly on coercion. But there will be no overall plan for the whole street and its activities.

I have laboured the obvious to show that all-or-nothing arguments about markets versus planning or private versus public spending are inherently absurd. But there are reasons for preferring markets and private spending where there is a choice. One is freedom of choice by consumers, workers and investors. Another, more subtle one is that markets can make use of dispersed knowledge and discovery methods unavailable to a state planner.

There is a different reason why writers like William Keegan, the Observer economics editor, have an inherent distaste for the market. This is that "it brings out the worst in human characteristics". Economists make a huge mistake in ignoring this moral dimension.

I will readily concede that the gain motive is not the most beautiful on earth; but I have a prize for the first non-economist reader who can guess who wrote: "It is better that a man should tyrannise over his bank balance than his fellow citizens; and whilst the former is sometimes denounced as being but a means to the latter, sometimes at least it is an alternative."

Such arguments were rudely terminated when the only developed system of "real existing socialism" came crashing down with the Berlin Wall in 1989. (The system was never called by true believers Communism – that would only come when the state had withered away.) The Soviet downfall was a bitter pill for many western intellectuals. This is not because they were secret sympathisers, but because it became more difficult to talk of a Third Way between two extremes, one of which no longer existed. More specifically, it became more difficult to use terms like "market forces" and "capitalism" in a condescending way when the old Soviet bloc was crying out for them.

Since then, the economic interventionists have recovered their nerve. The ex-Soviet countries have found their road to capitalism hard, while the capitalist economies have been suffering an unusually prolonged recession. Above all, the interventionists have taken heart from Clinton's election.

In the UK, a Conservative prime minister has resurrected sectoral preference for manufacturing, is in danger of shunting backwards to generalised incomes policy by exhortation, and is also whipping up populist hostility to financial institutions, which could end up by prolonging the recession.

These developments have given William Keegan the opportunity of a tract in favour of a much more managed form of capitalism. In The Spectre of Capitalism (Hutchinson, £16.99) he has provided a useful Cook's tour of the world economy before and after the Fall of the Wall. One cannot blame him for going to town on what the Left was quick to call capitalist "triumphalism" and the disappointments it experienced. His favoured whipping boy is "the US-IMF free market model", including its Czech and Hungarian followers.

His own recommendations give pride of place to the German and Japanese models of capitalism over the Anglo-American variety, a return to Keynesian techniques and "the rescue of the world trading order and the reinvigoration of the commitment to an orderly working of the international economic and financial system that characterised much of the 1945-73 period".

I can agree with the objective, although I wish the author would tell us a little bit more about how to achieve it. How in fact did Bretton Woods work? Nigel Lawson makes a powerful case in The New Conservatism – a 1980 speech reprinted at the back of his book The View From Number 11 and which is, despite its title, the best piece of political economy in the book – that the dollar standard of these years served as monetarism at one remove, until it was undermined by the inflationary financing of the Vietnam war. This is the case that Keegan has never answered, despite his personally generous review of Lawson's book.

**Someone who dislikes capitalism, but is no longer a socialist, will hanker for another version of capitalism**

As for the trade side of the goal: surely the Uruguay Gatt round is an attempt to extend competitive market forces to an unprecedented range of goods and services – which is why the French farmers so hate it. But if Keegan wants to call the exercise international co-ordination, why quarrel?

Where, however, I redraw the line is at Keegan's adulation of the Japanese and German models. If you are looking for any country that has experienced the succession of easy credit, inflated property values and debt overhang, it is Japan.

The tables in this article, which are also in the statistical annexe in Lawson's book, suggest that, although Japanese growth rates have until recently been faster than elsewhere, there is a large catching-up element. Real output per head is much lower than in the US and slightly lower than in Europe. Even manufacturing productivity is well below American levels.

Germany actually experienced slower productivity growth than the UK up to the peak of the last economic cycle. Much more important: the highly centralised and unionised German wage determination system was responsible for a wildly premature attempt to unify pay and social security levels in the two parts of the country – which had made unification so painful both for Germany and the rest of Europe. Not all good things go together; what Germany has to offer Europe is not its system of pay bargaining, but an independent Bundesbank intent on price stability.

But I must be fair. Keegan's chapters on Japan and Germany are not starry-eyed; and the discerning reader can learn a lot. The problem is that someone who basically dislikes capitalism, but sees that socialism does not work, and is stronger on examples than analysis, will hanker for another country's version of capitalism – just as German radicals denounce anti-competitive bank domination of industry in their country.

The Golden Age of the pre-1973 mixed economy was able to work as well as it did because inflation-blindness restricted real pay, the dollar standard restrained inflation and interest groups had not become as influential as they are today, especially in continental Europe. Ideological history is great fun. But I wish Keegan would look at the real obstacles in the way of going back to the soft Keynesianism of the postwar enlightenment, which go far beyond so-called extreme free-market writing.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### British Gas not barring competitors

*From Mr Cedric Brown.*

Sir, You reported ("Regulator defies British Gas", November 17) that our regulator, Sir James McKinnon, had told the Monopolies and Mergers Commission that he had rejected our proposals for a rate of return higher than 4.5 per cent. He also pointed to the difficulties experienced by two companies in their efforts to enter the pipeline market.

I must explain, therefore, that British Gas worked hard to find a way for these potential competitors to enter the market by transporting some of our gas. We also took the initiative some six months ago to raise the matter with Sir James in order to find a solution; at that time he took no action to address the situation.

The companies' proposals came to naught because their required rate of return to make a success of the proposals was several times higher than the rate of return British Gas was allowed to charge on the transportation business under the regulatory regime.

This goes some way to explaining the impasse which led British Gas to seek the present wide-ranging MMC investigation of the UK gas industry.

Cedric Brown,
*chief executive,*
*British Gas,*
*152 Grosvenor Road,*
*London SW1V 3JL*

### Independent advice would aid credibility of economic policy

*From Prof James McGilvray.*

Sir, Your leader, "Wise words on Germany" (November 17) reviews the economic report of Germany's "five wise men", and quite rightly commends this as "a good case for independent economic advice".

In previous editorials you have strongly advocated an independent Bank of England, with constitutional responsibility for monetary/price stability. There is surely an equally strong case for an independent UK institution or authority, akin to Germany's wise men or the US president's Council of Economic Advisors, to pronounce on macroeconomic trends and policy implications. Such a body would be independent of the Treasury or any other ministry and, as in Germany, influence the agenda for debate and policy formulation.

It has been obvious for a long time that the Bank of England, responsible for monetary policy, and the Treasury, responsible for fiscal policy (and both subject to political control), are not able to provide the kind of authoritative independent commentary and advice on economic trends and policy options which are needed, not only to establish a more rational framework for debate but also (as you have argued with respect to an independent Bank) to restore some credibility to UK macroeconomic policy.

J W McGilvray,
*department of economics,*
*University of Strathclyde,*
*100 Cathedral Street,*
*Glasgow,*
*Scotland G4 0LN*

### Recession and air fares both bite

*From Mr R F Bond.*

Sir, I refer to your headline "Recession and fares war take BA down 23 per cent" (November 18). I have just arrived back from Milan by BA, travelling economy class, having paid £341.50 return. On the outward journey I met an American businessman on the flight who had come from Philadelphia by BA. We compared costs and I was amazed to find that, even at to-day's exchange rate, he had paid roughly the same for his Philadelphia-Milan return ticket.

I export 100 per cent of my services to Europe and, like many other small companies, find the going tough. There is no fares war where I work, only recession.

R F Bond,
*36 Firestone Glade,*
*Wootton Bridge,*
*Isle of Wight PO33 4LH*

### Commitment to Personal Investment Authority

*From Mr M A Jones.*

Sir, Your report, "Insurers challenge proposed regulator" (November 14), seriously misrepresents ABI's attitude towards the proposed Personal Investment Authority. On November 12, we stated publicly and in writing: "ABI remains committed to the establishment of the PIA but it is not realistic to expect insurance companies to continue to offer support unless a very large majority of other product providers and advisers agree to join."

It is therefore totally incorrect to state that we have advised our members to steer clear of PIA.

We have defined "a very large majority" as at least 95 per cent of all product providers and advisers in the retail investment market. We should hope for this level of commitment from life companies if PIA receives a similar level of support from product providers and intermediaries currently regulated by the Securities and Investments Board and and IMRO.

M A Jones,
*chief executive,*
*Association of British Insurers,*
*51 Gresham Street,*
*London EC2V 7HQ*

### Old enough to say 'never'?

*From Mr Michael Denison.*

Sir, In his review of An Ideal Husband (November 13) Alastair Macaulay described me as "never a convincing actor".

"Never" is a big word to apply to a career spanning 54 years, and would only be appropriate if he had seen me as Paris in Troilus and Cressida in 1938 and in my subsequent 50 West End appearances. Can he be so old?

Michael Denison,
*Globe Theatre,*
*Shaftsbury Avenue,*
*London W1*

### Continental chambers are not so all-providing

*From Mr Brian Wright.*

Sir, As someone involved in the discussions about one-stop shops, I read Gisela Davis's letter (November 16) about the chambers of commerce and the Department of Trade and Industry proposals for one-stop shops with interest. However, she has fallen into the trap of thinking everything in continental Europe is well organised and everything in the UK is not.

There are strong chambers of commerce in Germany, France and the Netherlands which manage activities such as apprenticeship training and company registration. But they are not market-driven and many do not provide the small firms advice service.

Indeed, there is a growing number of small firms initiatives all over the continent which are being set up to compensate for the institutional nature of the chambers. Furthermore, many of them are using UK experience of enterprise agencies.

However, I acknowledge we have a lot to do in the UK and it is my hope that the one-stop shop discussion will result in a rationalisation between the 250-plus public service enterprise agencies and 100-plus voluntary membership chambers. But we do not want to lose the market-driven, bottom-up approach to customer service.

The reasons for supporting small firms is to encourage growth and job creation. This means that the agencies which are going to work with them have to be in tune with their needs: we have a chance to do that in the UK which I believe some other European countries will, in time, wish to emulate.

Brian Wright,
*chief executive,*
*London Enterprise Agency,*
*4 Snow Hill, London EC1A 2BS*

## OBSERVER

### Deputy deflector

■ Politicians on Poland's Catholic right may soon regret the removal of the censorship that went with communism.

Some of their number, along with rivals on the left, are allegedly among the dozen or so parliamentary deputies seduced last summer by authoress Marzena Domoros, who has now named as well as described her apparently effortless conquests in a 140-page typescript.

True, it has yet to find a publisher. Although it was originally commissioned by the fast-growing publishing house BGW, the company's chief, Roman Gorski, has decided not to bring it out.

But the decision is unlikely to stifle the ambitions of Domoros, a striking blonde, who gained entry to parliament by claiming to work for Figaro. She wrote the book, she says, "so that people would know why deputies are absent from the chamber during important debates".

Since Poland has yet to experience a high-level public sex scandal, no one can forecast the effect of publication on the electorate. Perhaps, like the French, the Poles might admire politicians with exciting private lives.

In any event, however, the left-wing deputies Domoros deflected from their duties stand to suffer less from her revelations than her bedfellows on the opposite side. The Catholic right is just preparing to battle for a statutory ban on abortion.

### Gambling man

■ The abrupt resignation of Lord Williams from Mirror Group Newspapers means Lord Hollick is now the Labour party's undisputed standard-bearer in the City. Will he do a better job than his predecessor, whose association with the late Robert Maxwell probably explains why he wasn't elected Labour's leader in the House of Lords this week?

Williams and Hollick are both on the modern wing of the party. But beyond that, they could hardly be more different.

Not only is Williams a dozen years older, but he used to work at Barings, captained Oxford at cricket and is married to a Cazenove.

The bearded Hollick went to Nottingham University and is married to a TV producer. His main claim to business fame is that the company he built, MAI, is one of the few sizeable financial conglomerates to have survived the recession.

With Williams gone, it will be up to Hollick to make sure the Daily Mirror remains the Labour party's most powerful media ally. There's even talk of his adding the MGN chairmanship to his board seat at troubled British Aerospace and full-time chieftaincy of MAI which is about to launch its new TV franchise.

For someone who is also a working peer, that would seem a bit much. Perhaps if he wants to out-do Williams as a Labour party power-broker, he should rein himself in somewhat.

### Night shifts

■ So what do Britain's executives do of an evening when they're travelling on business abroad?

Four in every five of them say they stay working in their hotel rooms, says a survey by Official Airline Guides. Swiss businessmen are either even more diligent or less truthful, with nine out of 10 claiming that they do the same.

By contrast, more than half of their counterparts from Germany as well as two-thirds of those from Italy admit to indulging in other pursuits. The difference is that, whereas the Italians typically go out on the town, the Germans work out in the gym.

### Eurospeak?

■ "Subsidiarity" is child's play compared with some of the Eurospeak terms bandied about by former top OECD official David Henderson in his lecture on European Community developments at the London School of Economics.

One was "deepening", *approfondissement* in French, signifying a strengthening of central control in the EC so decision-making does not become paralysed by being spread among too many member states.

Another he cited was *acquis communautaire* – the principle that new entrants to the Community must accept everything countries already in it have previously agreed.

Not content with those, however, he suggested that at least two more will be needed if the EC continues to expand. The first was *désacquisition*, or ditching unwanted *acquis* such as the Common Agricultural Policy. The second was *déprofondissement*, the opposite of deepening.

Although Observer's pedantry specialist thinks the latter should be *désapprofondissement*, it's to be hoped that Henderson proves right.

### Big Spender

■ Yet another sign of hard-pressed times, stagnating economies and collapsed consumer spending yesterday: Britain's home secretary, Kenneth Clarke, approved prize increases for public slot machines.

Now their limits are £3 for a cash prize (formerly £2.40) and £6 for a non-cash prize (up from £4.80). Obviously designed to pull in holidaymakers otherwise tempted by Las Vegas.

### I.O.Ewes

■ Being fleeced by the bank is now a regular experience for farmers in south-west China. Formed in 1989, their state-financed bank in Sichuan province deals solely in sheep.

It buys high-quality ewes to lend to the farmers, who then hand over wool as interest until they have bred enough of their own ewes to repay the loan in kind. The result, says the official Xinhua news agency, is a near halving of the local population living below the poverty line.

*If Premier Major wishes to set up a similar outfit to cushion the effects of recession in Britain, there's an obvious candidate to run it – Baaclays.*

FINANCIAL TIMES
Thursday November 19 1992

Parliament asked to abandon party politics and support French farmers

# Paris attacks US-EC trade talks

By Our Foreign Staff

US and European Community trade negotiators were last night set for a determined attempt in Washington to settle a longstanding row over European oilseeds subsidies.

Twelve trade and farm negotiators from both sides planned to meet for two hours immediately after EC officials arrived in Washington. Talks are to resume this morning with EC negotiators planning to return to Brussels tonight to report back tomorrow to member states.

The French government, however, yesterday denounced the deal which Brussels is likely to conclude with the US, but did not spell out how it would react.

After a cabinet meeting the government issued a statement saying the conditions did not exist for a global and balanced accord in the General Agreement on Tariffs and Trade and recalling France's opposition to any restraint on farm output going beyond the EC reforms of last May.

Parliament would probably debate the issue next week, according to the statement. Mr Pierre Bérégovoy, the prime minister, called for French politicians to set aside their differences and to unite in "a broad movement of national cohesion" to defend French farmers' interests.

Mr Bérégovoy said it was for politicians to pass judgment on whatever European Commissioners Mr Ray MacSharry and Mr Frans Andriessen negotiate.

France yesterday also claimed strong backing from other EC member states in its effort to limit farm trade concessions in the Community's negotiations with the US, in what looked like a further attempt to cast doubt on the outcome.

A clear majority of the 12 insists on a "balanced" agreement with the US. They also believe any farm trade deal must be compatible with the EC's reform of the Common Agricultural Policy, according to senior French officials in the Council of Ministers.

More significant, they say, is that Denmark, the Netherlands, Italy, Belgium and Ireland support France's demand that any agreement to reduce subsidised food exports should be less onerous to EC farmers than the deal thought likely to emerge in Washington tonight.

The Washington talks between Mr MacSharry and Mr Ed Madigan, US agriculture secretary follow the breakdown of negotiations in Chicago on November 3, after which the US imposed $300m in punitive tariffs on EC food exports to take effect on December 5, threatening the prospect of a full-blown trade war.

A Commission meeting has been provisionally scheduled for tomorrow evening to examine any Washington package, but the 12 have still to decide whether some combination of foreign, trade and agriculture ministers will have final approval, or just the foreign ministers alone.

US officials said they were "hopeful" of success, but they had no idea whether the EC was finally prepared to make an acceptable offer which would result in effective limits on the Community's oilseeds production.

"With all the euphoria coming out of Europe you would think something must have changed," said one US trade official.

Failure to reach agreement today would pave the way for US imposition of 200 per cent tariffs on $300m worth of EC white wines, rapeseed oil and wheat gluten. An additional $700m in punitive tariffs could be levied on EC farm and industrial products if no settlement is reached.

US officials emphasise that more is at issue than simply a few million tonnes of oilseeds production. "The much larger issue is the integrity of the Gatt system," an official said.

Last-minute push, Page 5

# Japanese leaders warned over delay to special budget

By Charles Leadbeater in Tokyo

JAPAN'S political leaders risk seriously damaging fragile business confidence by failing to enact a special budget to boost the economy, two of Japan's most powerful economic policymakers warned yesterday.

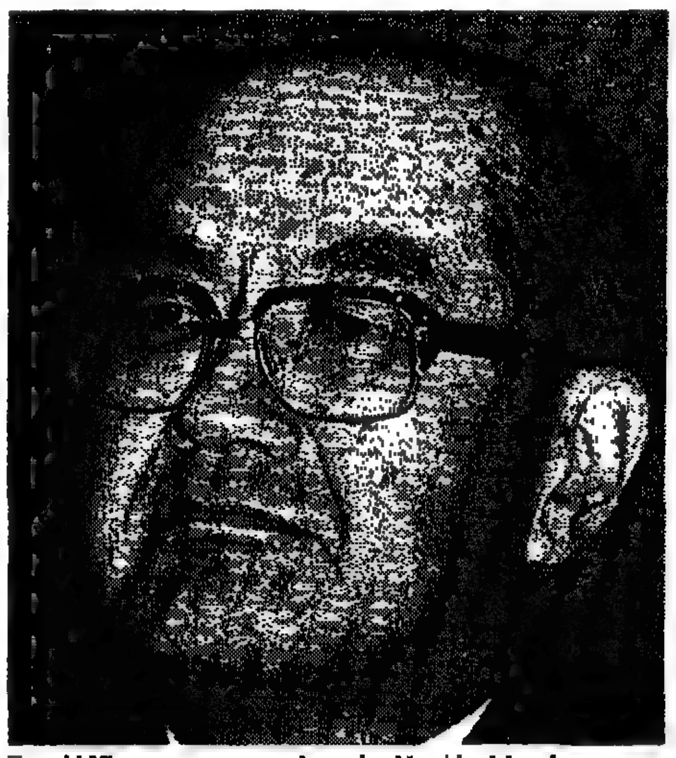
Mr Yasushi Mieno, governor of the Bank of Japan, and Mr Takeshi Noda, head of the Economic Planning Agency, warned that the delay to the parliamentary budget debate risked deepening economic downturn.

The budget, needed to enact the Y10,700bn ($86bn) emergency spending package announced in August, is being held up by a dispute between the ruling Liberal Democratic party and the opposition. The row centres on which LDP leaders will testify over their involvement in the Tokyo Sagawa Kyubin scandal.

Further talks yesterday between the LDP and the opposition failed to break the deadlock. Opposition parties insist they will not convene the parliamentary budget committee until the LDP agrees that at least five leaders will give sworn testimony to the legislature.

Mr Noda, presenting a gloomy report on the economic outlook, said: "Public distrust in politics is a big factor in undermining business sentiment. From the people's point of view the government and the ruling party – not just the opposition – are responsible for the impasse."

Mr Mieno warned that a delay would greatly affect business and stock market sentiment. In a rare comment on the politics of economic policy, he said: "We really hope the Diet discussion on the budget will start as soon as possible." He said many hard-pressed companies were anxiously waiting for benefits of the emergency package.



Yasushi Mieno: emergency package should not be delayed

Mr Mieno said he was not considering a cut in the official discount rate, although he acknowledged the economy was still in the midst of painful adjustment. He also said the Bank of Japan did not plan to offer financial support to a recently established banking industry body designed to reduce the banks' bad loans.

A senior Economic Planning Agency official warned that the economy was so fragile it was being supported only by public works spending and housing investment.

Meanwhile, even though the special supplementary budget has not been passed through parliament, pressure is mounting on the ministry of finance to deliver a further fiscal stimulus through the 1993 budget.

Concern that small companies may face a credit crunch because of the increasingly cautious approach to lending by banks is an important factor behind the ministry of finance's decision to sanction a 10 per cent increase next year in the fiscal investment and loan programme, the so-called second budget.

The ministry has agreed that appropriations from the budget should rise to Y45,000bn next year.

# UK retail sales show small rise in October

By Peter Marsh in London

BRITISH retail sales showed a small rise last month, triggering some optimism yesterday that the UK may be moving slowly out of its two-year recession.

Sentiment was also helped by small cuts in interest rates in Belgium and the Netherlands, which suggested that Europe as a whole may be able to move towards easier borrowing conditions over the next few months as a result of signs of economic slowdown in Germany.

News that retail sales volumes rose by a seasonally adjusted 0.1 per cent in October compared with September surprised London markets, which had been prepared for a small downturn.

In the three months to October 30, retail volumes turned up by 0.9 per cent compared with the previous three months.

The figures from the Central Statistical Office suggest that consumers took a relatively sanguine view of the run of bleak economic news since the summer, including Britain's forced exit from the European exchange rate mechanism.

On the London stock market, investor sentiment was also buoyed by hopes of a further cut in UK base rates, now at 7 per cent. The switch of money into shares boosted the FT-SE 100 index by 24.8, to a close of 2,704.0. Buying pressure was supported by a strong tone to dealing on Wall Street, where by early afternoon the Dow Jones industrial average was quoted at 3,211.15, up 17.83.

Sterling was little affected by the day's events, closing in London in quiet trading unchanged against the D-Mark at DM2.43, and up a tenth of a cent against the dollar at $1.5210.

The Dutch and Belgian central banks moved to take advantage of the recent signs of weakness in the D-Mark, making limited cuts in their dealing rates. The Dutch central bank cut its special advances rate to 8.70 per cent from 8.80 per cent, and Belgium reduced its overnight rate to 9.20 per cent from 9.25 per cent.

The figures for UK retailing, which accounts for about a quarter of the economy, showed that sales volumes in the latest three month period were up 1.6 per cent on the equivalent period last year. Sales of household goods were 6 per cent up on a three-monthly basis measured over the past year, while food retailers saw a 0.7 per cent increase in volumes over this period.

Mr Norman Lamont, chancellor of the exchequer, seized on the rise in retail sales as among several "hopeful indicators" pointing to economic revival. But the British Retail Consortium, a trade body, was less impressed. It said consumer confidence remained fragile in spite of the rise in sales volumes, and more government action was needed to boost the economy.

London equities, Page 27
Interest rates, Page 34

# Britain to withdraw from fast nuclear reactor research

By Clive Cookson, Science Editor, in London

BRITAIN is to withdraw from the European Fast Reactor nuclear research programme, the UK government will announce today.

The decision could cost as many as 400 skilled jobs, mainly at Atomic Energy Authority plants at Risley in north-west England and Dounreay on the north coast of Scotland.

The withdrawal from EFR, a co-operative project with France and Germany, spells the end of Britain's development of fast reactors – which are also known as fast breeders.

Unlike conventional nuclear reactors, fast reactors "breed" their own plutonium fuel. Since the mid-1950s, the British government has spent almost £2bn ($3bn) on fast reactor research and development.

Mr Brian Eyre, chief executive of AEA Technology, told unions yesterday that the government would stop paying £13m a year to fund the UK share of EFR research after the project's first design phase ends in March.

The nuclear industry is not prepared to commit its own funds to continue the programme, which is intented to design a demonstration fast reactor to be built in the late 1990s, probably in France.

The government decided last summer to close Britain's prototype fast reactor at Dounreay in 1994.

Mr Eyre is "bitterly disappointed" at the government decision because he believes fast reactors will be essential to achieve the full potential of nuclear power in the 21st century.

Unions reacted angrily. "As we are pleading with Germany to stay with the European Fighter Aircraft, here we go pulling out of the EFR," said Mr John Billard, national officer of the Institution of Professionals, Managers and Specialists.

"Once again the government is causing huge damage to Britain's technological capability and international standing by reneging on its commitments."

IPMS said Britain's withdrawal from fast reactor research would leave the field open not only to France and Germany but also to Russia and Japan, which are investing heavily in the technology.

But some experts believe that, with uranium and plutonium supplies likely to remain plentiful for the foreseeable future, fast reactors are an unnecessary and unwelcome step in the development of nuclear power.

They say it would be better to concentrate on research into fusion reactors, which are not expected to become commercially available for a further 40 years.

## World Weather

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 15 | 59 |
| Algiers | F | 21 | 70 |
| Amsterdam | F | 8 | 46 |
| Athens | F | 20 | 68 |
| Bahrain | F | 24 | 75 |
| Bangkok | F | 32 | 90 |
| Barcelona | S | 16 | 61 |
| Beijing | R | 6 | 43 |
| Beirut | S | 24 | 75 |
| Belfast | F | 9 | 48 |
| Belgrade | F | 9 | 48 |
| Berlin | R | 6 | 43 |
| Biarritz | C | 13 | 55 |
| Bombay | S | 31 | 88 |
| Bordeaux | Dr | 11 | 52 |

| | | °C | °F |
|---|---|---|---|
| Boulogne | R | 7 | 45 |
| Brussels | C | 6 | 43 |
| Budapest | F | 7 | 45 |
| Buenos Aires | F | 21 | 70 |
| Cairo | S | 25 | 77 |
| Cape Town | S | 24 | 75 |
| Caracas | F | 29 | 84 |
| Casablanca † | F | 19 | 66 |
| Chicago † | C | 4 | 39 |
| Cologne | C | 6 | 43 |
| Copenhagen | F | 5 | 41 |
| Corfu | R | 17 | 63 |
| Dallas † | C | 17 | 63 |
| Dublin | S | 11 | 52 |
| Dubrovnik | | – | – |
| Edinburgh | S | 9 | 48 |
| Faro | S | 20 | 68 |
| Florence | F | 10 | 50 |

| | | °C | °F |
|---|---|---|---|
| Frankfurt | C | 6 | 43 |
| Geneva | S | 6 | 43 |
| Gibraltar | S | 18 | 64 |
| Glasgow | R | 9 | 48 |
| Helsinki | C | -1 | 30 |
| Hong Kong | S | 26 | 79 |
| Innsbruck | S | 4 | 39 |
| Inverness | R | 7 | 45 |
| Islamabad | F | 23 | 73 |
| Istanbul | S | 18 | 64 |
| Jakarta | R | 32 | 90 |
| Johannesburg | C | 18 | 64 |
| Lisbon | C | 17 | 63 |
| London | R | 9 | 48 |
| Los Angeles † | F | 14 | 57 |
| Luxembourg | C | 3 | 37 |
| Madeira | C | 19 | 66 |
| Madrid | F | 16 | 61 |

| | | °C | °F |
|---|---|---|---|
| Majorca | S | 18 | 64 |
| Malaga | S | 19 | 66 |
| Malta | F | 18 | 64 |
| Manila | C | 31 | 88 |
| Melbourne | R | 17 | 63 |
| Mexico City | F | 20 | 68 |
| Miami † | F | 22 | 72 |
| Milan | S | 13 | 55 |
| Montreal † | C | -4 | 25 |
| Moscow | Sn | -1 | 30 |
| Munich | F | 4 | 39 |
| Nairobi | | – | – |
| Naples | R | [illegible] | [illegible] |
| Nassau | C | 25 | 77 |
| New Delhi | S | 27 | 81 |
| New York † | F | 6 | 43 |
| Nice | S | 14 | 57 |
| Nicosia | S | 23 | 73 |

| | | °C | °F |
|---|---|---|---|
| Oporto | C | 15 | 59 |
| Oslo | Sn | 1 | 34 |
| Paris | R | 5 | 41 |
| Prague | F | 3 | 37 |
| Reykjavik | F | -3 | 27 |
| Rhodes | F | 20 | 68 |
| Rio de Janeiro | R | 28 | 82 |
| Rome | S | 12 | 54 |
| Salzburg | C | 5 | 41 |
| S Francisco † | S | 9 | 48 |
| Seoul | S | 15 | 59 |
| Singapore | F | 30 | 86 |
| Stockholm | Fg | 4 | 39 |
| Strasbourg | R | 7 | 45 |
| Sydney | Dr | 18 | 64 |
| Taipei | C | 27 | 81 |
| Tangier | F | 18 | 64 |
| Tel Aviv | S | 31 | 88 |

| | | °C | °F |
|---|---|---|---|
| Tenerife | C | 20 | 68 |
| Tokyo | S | 15 | 59 |
| Toronto † | Sn | 1 | 34 |
| Tunis | C | 11 | 52 |
| Valencia | F | 20 | [illegible] |
| Venice | S | 12 | [illegible] |
| Vienna | F | 7 | 45 |
| Warsaw | F | 6 | 43 |
| Washington † | [illegible] | 9 | 48 |
| Zurich | H | 3 | 37 |

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

## THE LEX COLUMN

# Discounted sales

Given the gloomy tone of consumer confidence surveys, the last few months' consumer spending figures have proved unexpectedly robust. Indeed, the government is keen to stress the current quarter's improvement over the previous three months. However, it would be unwise to rely on consumers too much. August's improvement followed a very weak July – suggesting that buyers were waiting for the summer sales before spending. The last two months have shown only small gains. And while volumes may be holding up, retailers' margins are still under severe pressure.

The key question is the extent to which savings on mortgage payments and real income rises are used to spend rather than to reduce debt. The US may be an imperfect guide, but zero real short-term interest rates there have not tempted consumers. In the UK short-term real rates are about 3 per cent and on many mortgages real rates are still over 5 per cent. Yet as asset prices continue to fall and unemployment again accelerates, the incentive to save remains strong. With investment and exports under pressure, the government must hope consumers will produce a recovery. The danger is that there will be precious little recovery at all.

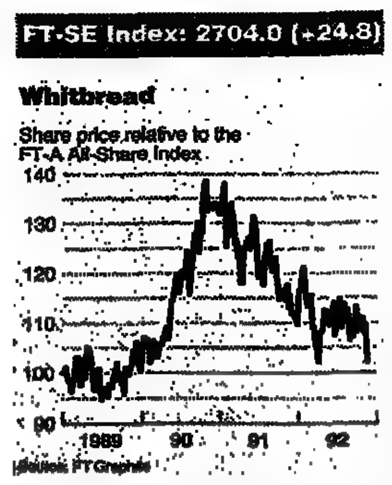
### Courtaulds

Judging by yesterday's interim figures, Courtaulds had a miserable summer. A seasonal lull in demand and a weak dollar left manufacturing capacity idle and margins squeezed. But events are now moving in the company's favour. A strong dollar will boost US profits on translation. Operating margins in dollar-priced products like cigarette filters will improve. European markets may be slowing, but Courtaulds is helped by manufacturing in the UK, Italy and Spain, which have all devalued.

The broader question is whether Courtaulds can maintain earnings growth without the kind of vigorous cost-cutting that has underpinned progress since the demerger. Under accounting rules adopted yesterday reorganisation provisions will have to be charged against earnings from now on. The growth prospects in mature markets like viscose are hardly breathtaking even allowing for an upturn. But Courtaulds' cyclical businesses from marine coatings to packaging should benefit on any recovery.

Admittedly, yesterday's figures are

FT-SE Index: 2704.0 (+24.8)



flattered by a pension fund surplus which contributed some £10m in the first half but without generating hard cash. The surplus shows every sign of growing though, after this year's revaluation. Besides, Courtaulds is likely to generate net cash this year despite maintaining a healthy investment programme and raising the dividend. Yesterday's 4 per cent rise in the shares is well justified.

### BT

The exact timing yesterday of the chancellor's announcement of another BT share sale may have caught the market on the hop – but there is no obvious reason why the news should unsettle UK equities. Another BT issue was needed to meet next year's £5.5bn target for privatisation proceeds; even before the coal fuss, that was likely to take precedence over disposal of the government's remaining stakes in the electricity generators. Moreover, on the far-from-clear assumption that the entire 22 per cent BT stake is put on the block at once, retail demand and a part-payment structure could limit the call on UK institutions next year to just £1bn-£1.5bn.

From institutions' point of view, of course, it all forms part of the same large pot of money required to finance the government's widening deficit next year. In this respect, though, the bright prospects for retail demand must be encouraging. The effect of falling interest rates – and widening bank and building society margins – is already evident in the behaviour of savers. The more rates converge with BT's prospective yield – currently around 5.4 per cent for 1993 – the more attractive BT's mix of income and capital growth becomes. There is also a convenient regulatory lull, though investors may worry that once unburdened of its BT shares the government could really let Oftel off the leash.

### Whitbread

In dreadful trading conditions Whitbread did well to maintain pre-tax profits in the first half, and deserved to see its share price yesterday claw back part of the recent losses. Market share in beer showed an increase without any margin loss. Boddington looks to have been a big success, particularly in the fast-growing take home market where it has come from nowhere to become the leading brand. Perhaps the most impressive performance, though, was in food sales where Whitbread seems to be reaping some reward for its recent heavy capital investment.

Success in striving with recession, though, cannot disguise the lack of market domination in any one region, or the continued dependence on the UK. The shares remain a geared play on recovery in the south-east in particular. The outlook is not good enough to justify an improvement in its below-average market rating.

### PowerGen

Those looking for a duopoly can easily spot the similarities between PowerGen and National Power. Indeed, it is tempting to argue that the technical accounting differences which separate their earnings figures at the half-way stage are needed to tell the companies apart. After privatisation, however, PowerGen's shares traded at a premium as its management seemed more aggressive. That premium has disappeared since the coal row erupted.

In part this may reflect disquiet at the robust criticism PowerGen's chief executive, Mr Ed Wallis, dished out over the continued operation of ageing nuclear stations. PowerGen's stations are also slightly better placed than National Power's to take imported coal, so if more domestic coal is burnt, the company will lose a marginal cost advantage. But these differences are dwarfed by a common interest. If the generators help the government with a larger coal deal, they are less likely to feel the hot breath of the Monopolies an Mergers Commission.

FINANCIAL TIMES
# COMPANIES & MARKETS
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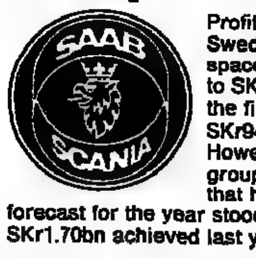
## INSIDE

### Saab-Scania cautious after profits jump



Profits at Saab-Scania, the Swedish vehicle and aerospace group, have jumped to SKr1.66bn ($275m) for the first nine months from SKr947m a year earlier. However, Mr Lars Kylberg, group president, warned that his previous profits forecast for the year stood firm at around the SKr1.70bn achieved last year. Page 19

### Daewoo given merger deadline

Daewoo, South Korea's fourth biggest conglomerate, must merge its shipbuilding and machinery subsidiaries by the end of the year, the country's government said yesterday. In 1989 the government agreed to provide rescue loans on condition that the merger went ahead. Daewoo has asked the government several times to drop the merger condition. Page 20

### SEC filing hits Bangkok shares

The Securities and Exchange Commission filed a case yesterday against Sia Song, a well-known market player, and his associates, for manipulating stock prices on the Bangkok stock exchange. The SET index dropped 5.4 per cent before recovering to close 2.6 per cent down on the day when the finance ministry said it had set up a fund to shore up the market. Back Page

### ICI Bioscience renamed Zeneca

ICI will decide in February whether to go ahead with its plan to split into two separately quoted entities, Sir Denys Henderson, chairman, said yesterday. Market conditions have deteriorated since the scheme was announced in July, he admitted. Yesterday the group's bioscience business, which would break away from ICI, was renamed Zeneca. Page 21

### Ambitions for Bulgarian wine

Bulgarian wine producers are making an effort in talks with the EC to gain access to European markets. Wine is Bulgaria's biggest agricultural export, and with the collapse of markets in the former Soviet Union, wine producers need new openings for their produce. Page 26

### Market Statistics

### Companies in this issue

### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **NEW YORK ($)** | | | | Fonc Lyonn | 865 | + | 15 |
| **Rises** | | | | **Falls** | | | |
| Apple | 57¾ | + | 2 | Baccarat Cie | 340.7 | - | 20.5 |
| Borland | 25⅛ | + | ½ | Re Poliet | 407 | - | 13.1 |
| Hewlett Packard | 57¾ | + | 2¾ | Pernod | 985.3 | - | 14.7 |
| Microsoft | 91½ | + | 1½ | **TOKYO (Yen)** | | | |
| Sun Micro | 32¼ | + | 1 | **Rises** | | | |
| **Falls** | | | | Central Finance | 285 | + | 36 |
| Dardel Inds | 5 | - | ¾ | Chugai Mining | 159 | + | 23 |
| **PARIS (FFr)** | | | | Nichimen | 380 | + | 57 |
| **Rises** | | | | Nippon Housing | 220 | + | 47 |
| Degall | 330 | + | 26.5 | Tamura Elec | 650 | + | 89 |
| Elm | 1700 | + | 50 | Tokushima | 450 | + | 64 |

New York prices at 12.30pm. Frankfurt closed.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | **Falls** | | | |
| **Rises** | | | | Alumasc | 373 | - | 11 |
| Amber Day | 32 | + | 5 | Arcolectric | 43 | - | 5 |
| Courtaulds | 488 | + | 10 | Blaw | 26½ | - | 4½ |
| Evode | 72 | + | 5 | Eskam | 255 | - | 20 |
| Hammerson | 203 | + | 11 | Cowie (T) | 138 | - | 8 |
| Ladbroke | 183 | + | 8 | Geest | 248 | - | 19 |
| Lloyds | 171 | + | 7 | Manders | 9 | - | 4 |
| Mirror Group | 79 | + | 6 | Ratners | 18 | - | 2¼ |
| Ransomes | 19 | + | 3 | Sedgwick | 149 | - | 9 |
| Sanderson Elec | 237 | + | 25 | Tiphook | 222 | - | 16 |
| Shanl | 98 | + | 14 | Willis Corroon | 174 | - | 14 |
| Union Discount | 71 | + | 10 | | | | |
| Usher-Walker | 161 | + | 16 | | | | |
| Vosper | 412 | + | 11 | | | | |

# Sandvik declines 21% in nine months

By Robert Taylor in Stockholm

SANDVIK, the Swedish speciality steel and carbide group, yesterday reported a 21 per cent decline in nine months profits (after financial items) to SKr1.17bn ($195.5m) from SKr1.48bn for the first nine months of 1991.

Turnover fell by 5 per cent to SKr12.47bn, with part of the decline due to the strength of the krona. Group order intake totalled SKr12.67bn for the January-September period, down from SKr13.28bn for the same months of 1991.

Sandvik warned that net profit for this year would fall short of SKr1.5bn. Last year the group made SKr1.9bn after tax.

The company suffered a fall in its profit (after financial items) from its cemented carbide activities to SKr782m from SKr861m for the same period of last year and there was an even sharper decline in profits to SKr89m from SKr236m at its steel division due to falling prices.

An actual loss of SKr41m was experienced in the group's saws and tools business, due to newly acquired units, and there was a fall to SKr12m from SKr93m from its process systems division as a result of added costs of production and a lower volume of demand. It said there was a decline in sales in most product areas with the biggest drop in value coming in the steel division where sales tumbled to SKr3.78bn from SKr4.2bn. By contrast sales in saws and tools rose by 42 per cent to SKr1.52bn.

Sandvik recorded a 13 per cent improvement in invoiced sales in Sweden to SKr981m from SKr865m but its most successful expansion took place in Latin America with 27 per cent growth to SKr697m.

There was a 13 per cent drop in the demand for its goods in North America to SKr2.04bn and a more modest 3 per cent setback in the EC to SKr5.57bn.

The group recored a SKr1.0bn rise in its liquid assets in the first nine months to SKr5.8bn. Return on investment was 10.4 per cent compared with 13.1 per cent for the whole of last year. Earnings per share calculated after full tax totalled SKr22.6 over the past twelve months.

Sandvik also announced yesterday it had reached agreement with SKF, the Swedish rolling bearing company, for the sale of SKF's 80 per cent interest in CTT Tools to Sandvik at the end of this year.

# HP falls by 46% in fourth quarter

By Louise Kehoe in San Francisco

HEWLETT-PACKARD disappointed Wall Street with a 46 per cent drop in fourth-quarter earnings, after restructuring charges. The US computer and electronics manufacturer said pricing pressures had affected profits.

Fourth-quarter net earnings were $68m, or 28 cents per share, after special charges of 36 cents per share. For the same period last year HP reported net earnings of $125m, or 50 cents per share after charges of around 40 cents per share.

The charges in both periods cover voluntary redundancies and moving offices.

Net revenue for the quarter rose 13 per cent to $4.3bn from $3.8bn. Net revenue in the US rose 9 per cent to $1.9bn, while international sales were up 16 per cent at $2.4bn.

Mr Lewis Platt, who became HP president and chief executive at the beginning of the month, said: "Our results this quarter were mixed. We're disappointed that we didn't translate respectable revenue growth into earnings improvement."

HP said that its cost of sales rose by one per cent to 58.1 per cent of net revenue, compared with the previous quarter. The company listed pricing pressures, the cost of product transitions, more sales through distributors, a shift to products with lower gross margins and costs of expanding its peripherals operations as contributing factors.

Operating expenses rose 11 per cent, excluding special charges, over the corresponding period of 1991. Four percentage points of this increase were due to the impact of currency fluctuations, HP said.

For fiscal 1992, HP's net revenue rose 13 per cent to $16.4bn. Net earnings for the year were $549m, down 27 per cent.

Earnings for 1992 were reduced by a $332m first-quarter charge due to the adoption of accounting changes for retiree health benefits. Net earnings per share for the year were $2.18, down from $3.02. Employment increased by 3,600 to 92,600, mostly a result of acquisitions of Avantek, Colorado Memory Systems and Texas Instruments' multi-user systems business. "The business climate will remain very challenging this year, and we're not counting on any significant help from the economy," Mr Platt said.

The turnround of UK insurers has surprised analysts, writes **Richard Lapper**

# A change in policy pays off

THE UK insurance industry may have reached a turning point after it suffered record losses in 1990 and 1991. Furthermore, the turnround has been quicker than many expected. Although modest, the £19.6m ($30m) third quarter pre-tax profit reported yesterday by Commercial Union, the most successful composite insurer comes hard on the heels of improved figures at General Accident and Royal Insurance.

Mr David Hudson, analyst with Credit Laing Lyonnaise, describes the third quarter results achieved by CU, Royal and General Accident as "almost unbelievable. It is very much a UK story. It is coming through more rapidly than anyone would have expected earlier this year." Mr Yousef Ziai, who follows the UK insurers for Morgan Stanley, adds: "The magnitude of the recovery, especially in the UK, is truly surprising."

The recovery is centred on a turnround in the domestic UK market, where companies were hit by a combination of weather and recession-related losses, and a seemingly inexorable rise in crime.

During 1990 and 1991 claims from subsidence and storm damage soared to record levels. In autumn 1991 insurers found themselves on the end of huge claims stemming from the problems of the housing market.

Insurers were hit by claims on mortgage indemnity policies, by which they had insured banks and building societies for losses arising on sales of repossessed properties.

Claims and provisions on mortgage indemnity business are still at high levels, and are undermining the pace of recovery of companies most heavily exposed. Together Royal Insurance, Sun Alliance, Eagle Star and Legal & General, which have a market share of some 70 per cent of mortgage indemnity business, face total losses in excess of £2bn for the three years between 1991 and 1993.

Yet elsewhere the picture is much brighter. CU reported underwriting profits on its private and commercial motor accounts.

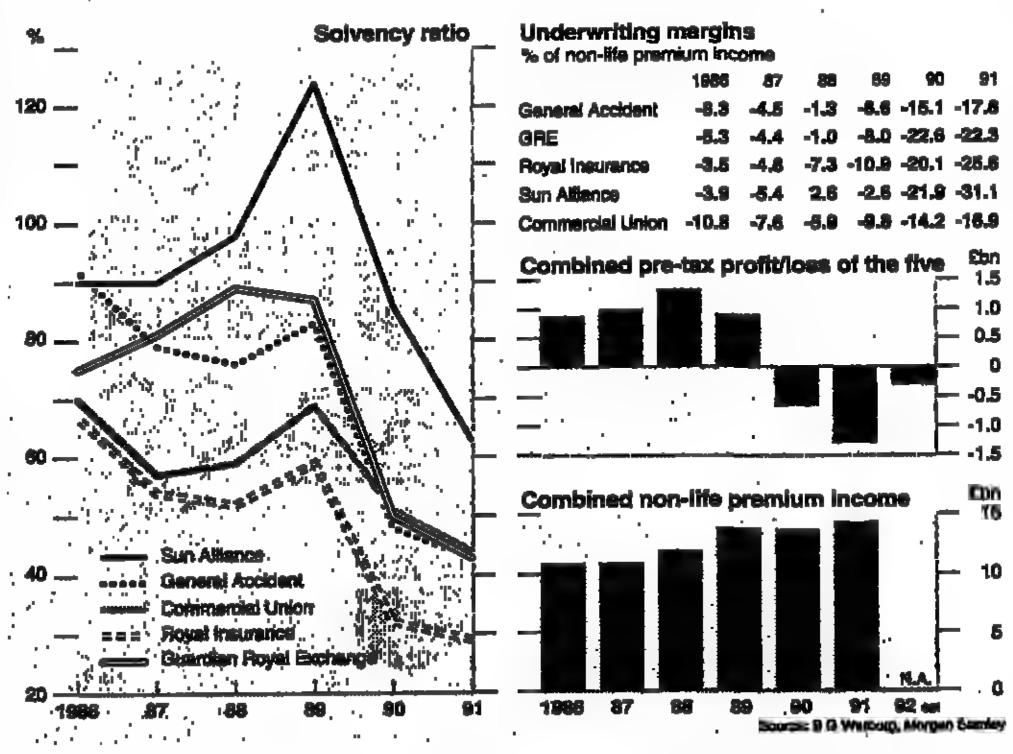
The industry is recording small profits or breaking even in problem areas such as industrial fire, while the business of insuring homeowners against the risks of theft and fire is again proving to be profitable.

One of the reasons for the improvement is that claims trends certainly seem to moving in the industry's favour. To some extent the industry has been lucky.

Last winter was unusually benign. Throughout the year there has been more rain and fewer storms. In the first half of 1992 losses from subsidence were 35 per cent lower than in the first half of 1991, according to the Association of British Insurers, the industry's trade association.

CU says subsidence claims are now running at between 50 per cent and 60 per cent of last year's levels.

**Performance of the five leading composite insurers**



Underwriting margins
% of non-life premium income

| | 1986 | 87 | 88 | 89 | 90 | 91 |
|---|---|---|---|---|---|---|
| General Accident | -8.3 | -4.5 | -1.3 | -8.6 | -15.1 | -17.8 |
| GRE | -5.3 | -4.4 | -1.0 | -8.0 | -22.6 | -22.3 |
| Royal Insurance | -3.5 | -4.8 | -7.3 | -10.9 | -20.1 | -25.6 |
| Sun Alliance | -3.9 | -5.4 | 2.6 | -2.6 | -21.9 | -31.1 |
| Commercial Union | -10.8 | -7.6 | -5.9 | -9.8 | -14.2 | -16.9 |

Industry figures indicate that there are fewer road accident and motor insurance claims, partially because motorists have less money available to pay for petrol. Royal and GA say that as the density of traffic flows have declined, only one in four of their motor policyholders have claimed on their insurance this year. Motor claims frequency is declining by around 10 per cent.

The industry appears to be beginning to see the benefit of what it calls "corrective actions" taken over the last two years. Premiums have risen, with sharp rises in home and motor insurance.

Since early 1991 the average cost of motor insurance has increased by between 20 per cent and 30 per cent a year. Household premiums have risen by more than 100 per cent in areas which insurers regard as susceptible to subsidence.

Insurers have also become more selective about the risks they underwrite, fine-tuning premium rates to take into account a greater range of possible risks and rejecting many potential customers.

In motor insurance Royal and GA are increasingly persuaded by the success of the "direct writers", companies such as Direct Line and Churchill, which underwrite motor insurance via direct telephone sales and mass media advertising. In particular direct writers are able to retain greater numbers of customers each year, which reduces their cost base.

Royal and GA are now more prepared to promote their direct writing subsidiaries even if it means offending brokers, the industry's traditional intermediary.

Three in 10 Royal motor policyholders now buy their policies from the Bristol-based The Insurance Service, a Royal subsidiary.

Mr Bob Scott, who heads GA's UK operation, says: "Accounts have to be restructured in order for us to obtain more control of the business. We can't just be pushed and pulled by what's on a broker's screen. That is a path to nowhere."

Insurers have also reduced staff numbers and their own expense base. Since 1990 General Accident has reduced its staff numbers by 20 per cent, for example.

Some observers even believe that the worst of the domestic mortgage indemnity problem may have passed. Royal would already be comfortably in the black if it were not for its exposure to domestic mortgage indemnity, which will cost it at least £450m in the the three years to 1993.

Insurers only assume a first tranche of losses – usually equivalent to the first 25 per cent to 30 per cent of a loan's value. But such has been the fall in house prices already that a further drop in prices and increase in repossessions could affect building societies directly.

Pessimists point to the weakness of the industry's capital base, which will undermine its capacity to compete if overseas companies enter the market. The industry may have its stiffest challenges still to face but at least it will do so with its domestic market in better shape.

# CU plans expansion after return to profit

By Richard Lapper in London

COMMERCIAL Union, the composite (life and general) insurance company, yesterday announced that it is back in the black and said it is raising capital to pave the way for further expansion.

Pre-tax profits for the nine months to September 30 were £6.1m ($9.3m), compared with a £42.4m deficit for the same period last year.

The improvement in the third quarter was particularly strong, with pre-tax profits amounting to £15.6m.

Mr Paul Found, group financial controller, said the results "clearly confirmed an upward trend", while Mr Tony Brend, chief executive, said the recovery had been pronounced in the UK where pre-tax profits amounted to £33.3m over the nine-month period, compared with a loss of £21.2m.

The group is launching a £100m cumulative irredeemable preference share issue, the second time it has turned to the markets this year. The issue will allow CU to continue its expansion in life assurance, as well as write additional non-life business in order to take advantage of increasing premium rates.

The preference shares, for which Hoare Govett and Cazenove are joint brokers, will pay a net dividend of 8.375 per cent. CU's last issue paid a net dividend of 8.75 per cent.

CU, the UK insurer least affected by losses from mortgage indemnity business, has already increased business at a steady pace. Non-life premium income rose to £2.48bn (£2.14bn), a rise of 12 per cent in underlying terms, while life premium income grew even more quickly to £1.30bn (£945.5m) in the nine months. Premium income in the UK market rose 25.3 per cent to £1.10bn.

Investment income amounted to £212.4m (£209.9m), after charging external loan interest of £35.1m (£37.6m) and the costs of non-insurance activities of £4.9m (£4.2m).

Underwriting losses were cut to £302.3m (£338.1m), with UK losses down from £157.7m to £128.6m.

In the US CU escaped the impact of hurricane Andrew, with losses limited to £3m. According to analyst Allan Nicholls of James Capel, this reflected a decision taken in 1985 to reduce exposure to areas vulnerable to hurricane. US underwriting losses fell to $103.9m compared with $142.1m.

Non-life operating losses of £75.9m (£123.1m), were offset by life profits of £82m (£80.7m). Earnings from associated undertakings amounted to £14m (£5.1m). Shareholders funds increased by £96m over the nine months to £1.3bn.

# UK plans to sell more BT shares

By Hugo Dixon and Roland Rudd in London

THE UK government yesterday announced that it would sell another tranche of its holding in British Telecommunications in the next financial year.

The government's remaining 22 per cent BT shareholding is worth £5.4bn at last night's closing price of 396p.

Mr Norman Lamont, the chancellor, told the House of Commons that there would be a "major sale" of BT shares.

Last week's announcement of UK spending budgeted for £5.5bn in privatisation receipts for the 1993-94 financial year.

The government has already sold two tranches of shares in BT. The first was in 1984 and the second was last December.

Ministers have yet to decide how many BT shares to sell or when they will be marketed.

However, they intend to appoint a financial adviser, global co-ordinator and lead stockbroker early next month. About 10 investment banks and brokers were yesterday sent letters from the Treasury inviting them to tender for the roles.

SG Warburg had all three roles in the last issue.

The structure of the last BT sale will be used as a springboard for the next sale, involving offers to both retail and institutional investors.

Retail investors will be offered some special inducement to buy shares. Last time they received a 45p discount on the 350p price paid by institutions.

The Treasury plans to develop last year's use of "share shops" to promote its goal of wider share ownership. However investment bankers are sceptical of the value of this approach.

Ministers expect that it will be easier to market the shares this time because the regulatory and political environment is more stable. The last sale was dogged by uncertainty ahead of a price review by Oftel, the regulatory body, and the coming general election.

The Treasury is confident that there will still be an appetite for BT shares because its current share price is 13 per cent higher that the 350p at which they were sold on December 9.

Investors who took part in the last sale still have to pay their third instalment of 105p per share on March 2. The government is committed not to sell any more shares before then.

Lex, Page 16

# Energy review casts doubt over PowerGen activities

By David Lascelles, Resources Editor

THE government review of UK energy policy has raised questions over the operations of PowerGen, the UK's second largest generator, according to Mr Ed Wallis, chief executive, who unveiled its interim profits yesterday.

It was unclear how the review would affect the electricity industry's operating environment, he said. There was also uncertainty whether PowerGen would obtain authorisation for a new gas-fired power station at Connah's Quay in Clwyd, which forms a large part of its future plans. The increase in gas power has been blamed for contributing to the crisis in the coal industry, and there has been pressure on the government to curb its growth.

Mr Wallis said the government was unlikely to overturn agreed projects. But PowerGen would maintain a cautious dividend policy until the future of the industry became clearer. Yesterday saw the dividend raised 9.8 per cent to 3.35p.

PowerGen earned £98m ($149m) in the six months to September 30, up from £97m. The increase was more marked at the operating level which excludes interest earnings from cash holdings. Here, PowerGen's earnings rose 24 per cent to £98m from £79m as interest fell to zero from £18m.

The underlying increase was due entirely to cost savings, Mr Wallis said. Some 40 per cent of the staff at the time of privatisation in 1990 had gone, and productivity had improved by 28 per cent over 1991. Sales in the half year fell 3 per cent, and PowerGen had lost some market share, mainly to nuclear power.

One of PowerGen's heavier costs is the high level of coal stocks. These stand at 16m tonnes, compared with a need for 6m. Mr Wallis said PowerGen hoped to run these stocks down under the new contracts with British Coal next year. But there was a chance that the government might mandate higher stocks to lift coal demand.

Lex, Page 16

# Union Discount talks to bidder

By Richard Waters in London

UNION Discount, the troubled London discount house group, is in talks with a potential bidder that could lead to the takeover of what is one of the City of London's oldest independent financial institutions, it was announced yesterday.

Cater Allen, London's second biggest discount house behind Gerrard & National, was strongly tipped yesterday as the potential bidder. The company, which already owns nearly 3 per cent of Union's shares, refused comment.

The terse announcement from Union that it was in the "very preliminary stages of discussions which may or may not lead to an offer being made" was prompted by a leap in the group's shares. They ended at 71p, up 10p on the day, compared with a peak two years ago of 500p.

Union, one of a shrinking band of discount houses, which play a pivotal role in the Bank of England's dealings with the money markets, has been brought low in recent years by a disastrous move into leasing and property lending. Its ill-fated diversification stemmed from the mid-1980s when, along with other City specialists, it tried to move into a wider range of activities to reduce its reliance on its core business.

Discount house shares jumped a week ago as the market digested the impact of September's upheaval in financial markets on the results of King & Shaxson, another specialist money market dealer.

However, the reorganisation at Union, under way since Mr George Blunden took over as chief executive earlier this year, is believed to have resulted in a cautious approach and so benefit less from recent market upheavals.

Mr David White, deputy chairman of Cater Allen, which announces results today, said yesterday: "We're not making any statement. It's been suggested on one or two occasions in the past, and we didn't make any statement then either."

# Whitbread shows marginal increase

By Philip Rawstorne

WHITBREAD, the UK brewing and retailing group, showed resilience in "depressed and highly competitive markets" with a marginal increase in first-half pre-tax profits to £143m ($217m) from £142.5m.

The results were at the top end of City forecasts but Sir Michael Angus, chairman, said: "The outlook must be one of caution. The market place continues to reflect general uncertainty, trading conditions have not yet improved and margins are under pressure."

Performance in the second half will depend largely on the Christmas trading period but analysts forecast full-year profits of about £256m against last year's £222m.

Earnings per share for the six months ended August 29 fell 3.9 per cent to 22.65p; the interim dividend is raised to 4.75p from 4.55p. Group trading profits increased 4 per cent to £129.6m on turnover 11.6 per cent ahead at £1.18bn.

Beer profits rose to £44.1m from £39.1m and the group increased its share of the UK market to 13.4 per cent from 12.8 per cent. Volume sales grew 3 per cent against a market decline of 1 per cent.

Boddington bitter led the advance with a 30 per cent increase in volume to become the best-selling ale brand in the take-home market. Murphy's stout volumes rose 30 per cent and Stella Artois recorded a 10 per cent increase.

The accounts include a £5m provision for bad debts and a similar charge is likely in the second half.

Sir Michael: cautious outlook

Profits of the Pub Partnership leased and tenanted pubs fell 9 per cent to £30.8m following the disposal of a further 230 pubs to comply with the government's beer orders.

However, Whitbread Inns, the 1,600 managed pubs, was the best performing business in the group's retail operations which lifted overall profits to £70.3m from £63.6m. The pubs' drinks sales increased 7 per cent and food sales were up 13 per cent.

Sales at Beefeater restaurants fell 5 per cent, but profits increased 5 per cent. Pizza Hut achieved profits in line with last year; and TGI Friday and Thresher off-licences recorded "significant increases" in sales and profits. The Travel Inn chain achieved occupancies of 85 per cent to 90 per cent and is being expanded.

The group's net borrowings were virtually unchanged at £434.5m, 16.3 per cent of shareholders' funds.

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# GAN acquires 10% of Imperio

By Alice Rawsthorn in Paris and Peter Wise in Lisbon

GAN, one of France's largest insurance groups, is accelerating its international expansion by acquiring a 10 per cent stake in Imperio, the biggest insurer in Portugal.

The investment comes at a time when a number of French insurers are expanding into other countries. Assurances Générales de France (AGF) recently strengthened its involvement with AMB of Germany and Union des Assurances de Paris (UAP) is still locked in negotiations to try to expand into the German market by taking a stake in Colonia.

France's insurance companies have been hit by the economic slowdown and by the fall in the value of their property holdings.

However, they have not suffered to the same extent as their counterparts in the US and UK.

GAN, the smallest of France's big three state-controlled insurers, recently reported a fall in net profits to FFr487.1m ($90.37m) in the first half of this year from FFr961.9m in the same period in 1991.

Imperio controls 12.5 per cent of the Portuguese insurance market with premiums worth FFr2bn.

The GAN deal is a by-product of a change in control at Imperio which puts entrepreneur Mr Jose Manuel de Melo back at the helm of Imperio, 17 years after the company was nationalised.

He is paying the state Es18.4bn ($130m) for 70 per cent of Imperio.

In a subscription operation for the remaining 30 per cent of capital, GAN was the leader among 11 foreign investors, acquiring 10 per cent.

Company employees acquired 10.5 per cent and small savers 4.5 per cent, both at discounted prices.

Mr de Mello, who is rebuilding a financial and industrial empire largely destroyed by Portugal's post-revolutionary nationalisations of 1975, indicated he did not plan large management changes.

# Von Roll expects bigger losses

By Ian Rodger in Zurich

VON ROLL, the Swiss steel and engineering group in which Proventus of Sweden bought a 19.7 per cent voting stake last December, said it expected its 1992 losses to be significantly higher than last year's SFr30m ($20.8m).

A recovery was not expected until the second half of 1993 at the earliest, so that a loss was anticipated next year as well, the company said.

This contrasts with a statement in August when the directors said they looked for an improvement in the second half of this year.

They said sales rose 6 per cent in the first half to SFr1.1bn but margins were unsatisfactory and orders fell 13 per cent to SFr1bn.

Proventus said when revealing its stake that the investment would be of long-term advantage, because of Von Roll's interests in waste management systems and other environmental technologies.

Von Roll management did not welcome the investment and made clear that Proventus would be held to the bylaw forbidding any shareholder from exercising more than 6 per cent of the total voting capital.

# Rumours lift Rinascente shares

By Robert Graham in Rome

RINASCENTE, Italy's largest retailing group, has seen its shares jump more than 120 per cent since the beginning of October as a result of persistent rumours of an imminent sale of Fiat's controlling stake in the company.

Milan bourse operators are convinced that Fiat is preparing to sell either to Metro, the big German retailer, or to Mr Silvio Berlusconi's Fininvest which controls Standa, the rival Italian chain.

The latter has denied the existence of a deal but this has not prevented Rinascente shares rising from L3,600 to as high as L8,450 in under six weeks. Yesterday they quoted at L8,380.

Fiat has made no secret it is looking at ways of raising cash and reducing non-core businesses to fund heavy capital spending over the next decade in the automotive sector. Rinascente was founded in 1917. Control was sold by Fiat to the Cabassi group in the 1960s. Fiat reacquired 51 per cent in 1984.

With half-year turnover of L2,235bn ($1.6bn), Rinascente is a useful source of cash flow to Fiat.

However, Rinascente requires at least L1,170bn to be invested by 1996 in new malls and hypermarkets to bring Italy closer to the European norm in modern retailing. Only 35 per cent of Italian food sales are through super/hypermarkets, less than half the level of France.

Expansion has been largely financed by the sale of older properties but with property prices slipping and the market depressed, it is increasingly difficult to fund investment from such a source.

Prior to speculation about a disposal by Fiat, Rinascente's ordinary shares were capitalised at L587bn, while the savings and privileged shares had a combined capitalisation of L186bn.

# Skanska appoints chief executive

By Robert Taylor

SKANSKA, the largest construction company in Scandinavia has appointed a new chief executive, Mr Malker Schörling, at present the 45-year-old head of Securitas, the Swedish security company.

He will replace Mr Lars-Ove Hakansson who resigned in September after taking full responsibility for Skanska's losses due mainly to unauthorised exchange speculation.

The present acting chief executive Mr Sven-Eric Hersvall will remain responsible for co-ordinating the group's Swedish construction operations and property management until Skanska's annual meeting next May. Mr Schorling will take up his new post on January 1.

"Skanska will have a president with well-documented leadership qualities and sound business sense with extensive knowledge of the building trade from the supplier side and wide international experience," said Mr Percy Barnevik, the company's chairman.

● The first wave of Czechoslovakia's voucher privatisation programme will probably end in late January, Reuter reports from Prague.

# TAP may cut workforce by 12%

By Peter Wise in Lisbon

TAP-Air Portugal, the state-owned airline, could reduce its workforce by 12 per cent by the end of 1993 to cut heavy financial losses, company officials said yesterday.

The officials said 1,500 of TAP's 10,500 workers were expected to leave as a result of voluntary redundancy schemes, early retirement and the cancellation of fixed-term contracts. They stressed there would be no forced dismissals.

TAP, which has not been profitable since 1973, earlier forecast 1992 would be a break-even year. But officials now admit losses will soar above Es8bn ($56.4m) compared with a loss of Es2.1bn in 1992.

Officials said the higher than expected losses were caused by currency factors which had affected all sources of income from ticketing to maintenance and to a fierce price war that had slashed tariffs. TAP's forecast loss is in spite of a 13 per cent increase in traffic and a rise in seat-occupancy rates.

As part of its retrenchment plans, TAP did not renew the contracts of 600 temporary staff which expired in October. It will also offer early retirement deals to 835 workers who will reach the age of 55 before the end of this year.

The government is preparing to privatise 49 per cent of TAP's capital in the second half of next year. Iberia, Spain's national carrier, has said it is a leading contender to purchase a large stake in TAP.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| UK clock period ending | Provisional Price for Trading on 18.11.92: Pool purchase price £/MWh | Final Prices for Trading on 22.10.92: Pool purchase price £/MWh | Final Prices for Trading on 22.10.92: Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 18.76 | 17.70 | 17.70 |
| 0100 | 22.89 | 17.72 | 17.72 |
| 0130 | 29.37 | 17.74 | 17.74 |
| 0200 | 29.37 | 21.36 | 23.80 |
| 0230 | 22.89 | 29.79 | 32.61 |
| 0300 | 22.99 | 29.79 | 32.82 |
| 0330 | 20.92 | 29.79 | 32.63 |
| 0400 | 20.76 | 20.90 | 20.90 |
| 0430 | 18.21 | 17.76 | 17.76 |
| 0500 | 18.21 | 17.74 | 17.74 |
| 0530 | 18.64 | 17.73 | 17.73 |
| 0600 | 15.64 | 17.73 | 17.73 |
| 0630 | 18.89 | 18.93 | 18.93 |
| 0700 | 20.80 | 24.18 | 26.80 |
| 0730 | 22.03 | 28.88 | 30.30 |
| 0800 | 22.83 | 29.64 | 31.56 |
| 0830 | 22.93 | 29.86 | 31.79 |
| 0900 | 22.93 | 29.92 | 31.87 |
| 0930 | 22.93 | 29.64 | 31.39 |
| 1000 | 26.73 | 28.41 | 31.24 |
| 1030 | 26.73 | 28.31 | 31.09 |
| 1100 | 23.36 | 25.98 | 28.30 |
| 1130 | 23.36 | 25.98 | 28.31 |
| 1200 | 26.73 | 25.96 | 28.31 |
| 1230 | 26.73 | 25.84 | 28.26 |
| 1300 | 26.73 | 26.57 | [illegible] |
| 1330 | 23.36 | 21.74 | 21.74 |
| 1400 | 26.73 | 21.72 | 21.72 |
| 1430 | 26.73 | 21.72 | 21.72 |
| 1500 | 23.37 | 21.52 | 21.52 |
| 1530 | 27.29 | 21.53 | 21.53 |
| 1600 | 29.59 | 21.80 | 21.80 |
| 1630 | 42.44 | 25.84 | 28.53 |
| 1700 | 55.84 | 28.94 | 31.84 |
| 1730 | 57.08 | 29.46 | 32.48 |
| 1800 | 46.10 | 31.17 | 34.63 |
| 1830 | 31.25 | 34.09 | 37.88 |
| 1900 | 28.74 | 33.65 | 37.12 |
| 1930 | 27.74 | 29.56 | 32.59 |
| 2000 | 27.53 | 26.54 | 29.19 |
| 2030 | 27.25 | 25.51 | 28.10 |
| 2100 | 22.93 | 25.47 | 28.06 |
| 2130 | 22.93 | 25.20 | 27.80 |
| 2200 | 22.93 | 24.25 | 26.84 |
| 2230 | 22.93 | 24.19 | 26.81 |
| 2300 | 21.15 | 24.19 | 26.83 |
| 2330 | 18.52 | 20.03 | 20.03 |
| 2400 | 18.28 | 18.93 | 18.93 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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INTERNATIONAL COMPANIES AND FINANCE

# Saab-Scania hoists profits as orders remain healthy

By Robert Taylor in Stockholm

SAAB-SCANIA, the Swedish vehicle and aerospace group, increased profit after financial items to SKr1.65bn ($275m) in the first nine months, a substantial improvement on the SKr947m recorded in the same period of 1991.

*Orders grew to SKr27.4bn* from SKr18.6bn, mainly due to the development of the JAS39 Gripen fighter aircraft project.

Consolidated net income advanced to SKr1.65bn from SKr1.02bn last time, while return on capital employed grew to 12 per cent from 9.6 per cent.

However, Mr Lars Kylberg, group president, warned that his previous profits forecast for the year stood firm at around the SKr1.70bn achieved last year.

This suggests that the reduced demand for trucks and commercial aircraft, as well as the growing losses at Saab Automobile, jointly owned with General Motors of America, will lower the group's profits in the fourth quarter.

Mr Kylberg added that Saab-Scania was prepared for "a difficult 1993 and for an upturn further ahead," mainly thanks to extensive capital spending on new product programmes and rationalisation measures.

The group suffered a 5 per cent cut in consolidated sales in trucks and buses to SKr15.89bn from SKr16.66bn in the first nine months. It reported a weak market for both products across Europe with 21,900 trucks and buses sold, compared with 24,200 for the same period of 1991.

Income raised from the sale of aircraft fell to SKr2.84bn from SKr3.07bn. The order backlog for aircraft rose to SKr21.6bn from SKr11.1bn, of which the commercial operation fell to SKr6.1bn from SKr6.8bn.

Investor, the Wallenberg *family dominated investment* and industrial company that fully owns Saab-Scania, announced a profit after financial items for the first nine months of SKr1.63bn, a drop from the SKr2.19bn for the same period of last year.

The total value of Investor's share portfolio fell by 2 per cent to SKr17.84bn when the general Stockholm bourse index dropped by 24 per cent.

# Chrysler in $2bn deal with bank

By Martin Dickson in New York

CHRYSLER, the US vehicle manufacturer, is to sell nearly all the consumer and inventory financing businesses and *assets of its Chrysler First subsidiary* to Nationsbank, the fourth largest banking company in the US.

Chrysler said the net proceeds from the sale were expected to be more than $2bn and would approximate to carrying value. Nationsbank said the purchase price represented a premium of about $100m.

Chrysler indicated some time ago it wanted to sell these businesses as part of a plan to reduce the indebtedness of its financial services business and to ensure that this had enough funds to *support its core operation* – financing the sale of vehicles.

Nationsbank said the proposed deal would increase its consumer finance business eight-fold and make it the second largest US consumer finance company owned by a bank holding company.

It will form a new consumer finance business as a result of the deal, to be called Nationscredit.

Chrysler First, based in Allentown, Pennsylvania, services receivables of about $4bn and operates in 175 locations *in 32 states. Nationsbank's* financial services unit has some $500m in consumer finance receivables and 105 offices in 10 states.

Chrysler First's consumer finance operations range from home mortgages to private label credit cards, while the *inventory finance division* provides financial services for private label manufacturers and distributors and high technology equipment dealers.

The deal does not include Chrysler First's business credit operation, which deals in commercial property loans.

*Nationsbank, based in Charlotte*, North Carolina, is one of the most aggressively acquisitive super-regional banks in the US.

# Canadian carriers' dispute grows

By Robert Gibbens in Montreal

RELATIONS between Canada's two big airlines, Air Canada and Canadian Airlines International, have sunk to a new low.

PWA, parent of Canadian, has filed a law suit in Calgary alleging that Air Canada is trying to drive it out of business by discounting domestic fares 60 per cent to 75 per cent, or well below the cost of service.

"This is predatory pricing *and illegal* under the Federal Competition Act," said Mr Rhys Eyton, PWA chairman. PWA is claiming C$1bn (US$788m) in damages.

It has also alleged that Air *Canada increased* capacity by more than 10 per cent last spring with the intention of driving prices lower.

In Montreal, Air Canada retorted that the PWA suit was unfounded and the capacity increase was designed only to maintain its 57 per cent domestic market share.

Mr Eyton denied the suit was retaliation for last week's C$1.5bn action by Gemini Corp, the *computerised reservations* system jointly owned by Air Canada and PWA.

Air Canada has claimed the C$1.5bn damages from PWA and other airlines, alleging that PWA *had initiated legal* moves to get out of the Gemini joint venture.

In another move, American Airlines has offered to buy 25 per cent of PWA for C$250m, if Canadian switches from Gemini to American's Sabre reservations system.

Air Canada, incensed that the federal government may bale out PWA, has made two new proposals to Ottawa, including a fresh offer to merge with PWA – which would require PWA creditors to make concessions of up to C$500m. Under the second, Air Canada would buy Canadian's *overseas routes, including the* coveted Asian service.

Transport minister Mr Jean Corbeil said in Montreal the government would intervene "only to ensure an equitable long-term solution" to both airlines' problems.

Air Canada and a Texas group will assume control of Continental Airlines early next year, after Continental's unsecured creditors approved a *financial* reorganisation plan. Continental hopes to be out of US Chapter 11 bankruptcy protection early next year.

## Citroën names latest number

CITROEN, part of the Peugeot group of France, is launching a new generation large family car in March to replace its 10-year-old BX range, writes Kevin Done, Motor Industry Correspondent. The car will be named Xantia, a break from *the recent Citroën practice of* naming cars with letters such as AX and ZX. It will follow French rival Renault, which has also switched to names such as Clio and Safrane.

The Xantia, pictured, was styled in collaboration with Bertone, the Italian design *house*.

# Hollinger revenues rise strongly

By Bernard Simon in Toronto

HOLLINGER, the publishing company controlled by Mr Conrad Black, has reported a substantial rise in revenues and a modest third quarter profit.

The Toronto-based company, whose flagship is a 68 per cent stake in the UK Telegraph group, posted net earnings of C$9.1m (US$7.1m), or 13 cents a share, compared with a C$7.8m loss, equal to 21 cents a share, a year earlier.

Revenues jumped by 25 per cent to C$218m.

Hollinger provided no other details in its third quarter announcement, and the company spokesman was unavailable for comment.

Nine-month earnings were C$63.2m, or C$1 a share, up from C$21.9m, or 18 cents a share. The latest figure includes a C$34.2m gain from the sale of a 9 per cent stake in United Newspapers, the recent Telegraph share issue and refinancing costs, all of which were reported in the first six months of the year.

Besides its stake in the Telegraph, Hollinger publishes over 200, mostly small, newspapers in north America and owns the Jerusalem Post.

The Telegraph also has a 15 per cent stake in Australia's John Fairfax group.

Earlier this month Mr Black broadened his base in North American publishing by becoming the largest single shareholder in Southam, Canada's biggest newspaper chain.

Hollinger agreed to pay C$259m for the 23 per cent stake in Southam previously held by Torstar, another Canadian publishing group.

Hollinger is prevented by a Southam "poison pill" from immediately buying more of *Southam's stock*. But the deal fits the strategy which Mr Black has favoured in the past of gaining control of troubled companies by starting off with a minority stake.

# Maple Leaf in third-term advance

By Bernard Simon

MAPLE Leaf Foods, the Canadian food processor 56 per cent owned by Hillsdown Holdings of the UK, has overcome fiercely competitive markets to *report a small increase in third* quarter earnings from continuing operations.

The steady performance was in spite of a 6 per cent drop in sales, and was ascribed mainly to improved margins as a result of the restructuring and belt-tightening measures *which Hillsdown has put in* place since it took over the company in mid-1990.

Earnings from continuing operations climbed to C$19.4m (US$15.2m), or 24 cents a share, from C$15.2m, or 23 cents, a year earlier. Sales fell to C$686m from C$741.7m.

The company also reported interest income of C$1.7m, *compared with financing* charges of C$3.3m a year earlier.

Mr Charles Bowen, chief executive, said the drop in sales resulted from falling consumption and an unusually wet summer.

Economies of scale helped *margins in several areas of* Maple Leaf's business. For example, a joint flour milling venture with ConAgra, the US food processing giant, has enabled the Canadian company to benefit from ConAgra's payroll and purchasing facilities.

Pork earnings rose as a result of combining production into a single plant.

*On the other hand*, poultry continues to suffer from overcapacity, while the bakery business was hurt by intensifying competition and downtrading to lower-priced products.

Maple Leaf is seeking an acquisition in the US food *industry. It has the advantage* of virtually no long-term debt and cash reserves of over C$160m.

# Polaroid set to create three business units

POLAROID, the US photography company, plans to create three business units as part of its "strategic vision" from the beginning of next year, agencies report.

The company said the three operations would be "highly autonomous with specific profitability goals," with each relying primarily on its own sales and marketing, business sector management, and manufacturing and development groups.

Polaroid said it would group its operations in core photography, high resolution imaging, and imaging media and *peripherals*.

It also intends to offer early retirement for selected employees. Details would be available next month.

A *spokeswoman* declined to comment on the number of employees who would be offered the early retirement option, or on the financial impact of the programme. She said that the company currently has about 11,000 employees.

● Allied-Signal, the US aerospace and vehicle parts group, has completed the sale of its 33.3m Union Texas Petroleum Holdings shares, Reuter reports.

Allied said net proceeds from the secondary offering were $585m. This was in addition to *the $355m the company* received in September from the redemption of Union Texas preferred shares and warrants.

# Brazilian clothier turns in loss of $64m

By Bill Hinchberger in Sao Paolo

SAO PAULO Alpargatas, the largest Brazilian footwear and clothing manufacturer, suffered a loss of $64m for the first nine months this year.

The company blamed the deficit mainly on lower sales volume and tight profit margins, both a result of the country's continued recession. Gross sales figures for the period were $361m, compared with $425m for the first nine months of last year.

*In 1991, the publicly traded* company landed in the red for the first time in 56 years, showing a loss of $38m.

The downturn has forced the *company to retrench in a programme* which has included corporate restructuring, the closure of eight of 28 factories, and layoff of about one third of a workforce that totalled 31,000 in 1990.

Despite the gloomy numbers, Alpargatas is cautiously optimistic about a recent seasonal increase in demand and a recuperation of margins.

It has also moved to reduce the its debt burden. In December 1991, 51 per cent of a $50m debt was in short-term obligations.

*By September 1992, with the* help of a Euronote issue earlier this year, only 14 per cent of a slightly higher $52m total was short-term debt.

# Asarco shakes up divisions as focus shifts

By Laurie Morse in Chicago

ASARCO, one of the world's largest non-ferrous metals producers, is reorganising its business *divisions to reflect its new* thrust as an integrated mining company.

The company, now organised around mining, smelting and refining operations, is restructuring into two new divisions, one comprising all its copper mining and processing businesses, and a second covering its lead/zinc and aggregates businesses. Asarco's specialty chemicals business will not be affected by the change.

"The focus of Asarco's business strategy since 1985 has been on acquiring ore reserves and expanding our mining capabilities," said Mr Richard Osborne Asarco, chairman.

With expansion projects at Mission and Ray copper mines in Arizona completed this year, and modernisation work on its El Paso, Texas, smelter scheduled to be finished in early 1993, Mr Osborne said the company had met its goal of becoming a fully integrated producer of copper, and of lead in Missouri.

The expansions and improvements were made over a five-year period at a cost of about $1.1bn.

Capacity of its Mission copper mine was expanded by 42 per cent, and operations at the Ray mine, also in Arizona, expanded by about 58 per cent. Asarco *mined 78,900 tons of* copper in the third quarter, and 31,400 tons of lead. In 1991, Asarco had copper sales of $1.03bn.

# Pensions group offers guidance on derivatives

By Tracy Corrigan

THE Pensions Research Accountants Group (Prag), an association of 200 UK pension fund practitioners, has published a document on the use *of futures and options by pension* funds which provides guidance for trustees, investment and pension fund managers on how best to meet reporting, control and performance measurement demands.

Prag has built on work by the London International *Financial Futures & Options* Exchange (Liffe) and Mercer Fraser, the actuarial firm, which published a similar report in January.

But the Prag report is broader, suggesting how trustees should approach derivative products and an approach to reporting and accounting.

Since the 1990 Finance Act removed uncertainty over the tax position by exempting approved pension schemes from tax on income and gains, distrust of derivatives among trustees has been perhaps the main barrier to growth in their use of them.

The report focuses on strategies and risks to be considered by trustees and ways of constraining investment managers. Prag supports Liffe's view on reporting futures on an "*associated economic exposure*" basis – looking at the total exposure of a particular position, rather than just taking account of the initial margin payment. But the valuation of options is more complicated, since accurate reporting requires technical *calculations of the relationship* between cash prices and option prices.

The report suggests funds should account for premiums paid and received, and should mark option prices to market, even though this does not reflect real exposure. "In an *ideal world, we would go further*," said Mr Glyn Peat, chairman of the futures and options working party.

*Pension Fund Investments: Futures and Options by the Pensions Research Accountants Group, published by Holmes, Watson & Partners, London.*

# Cascades returns to the black

By Robert Gibbens

CASCADES, a Canadian-based paper and packaging group with plants in Europe, earned C$13.6m (US$10.6m), or 25 cents a share, in the first nine months, against a *loss of C$4.9m, or 9 cents a* share, a year earlier. Sales were C$643m, up 4 per cent.

Third quarter profit was C$1.3m, or 2 cents a share, against a loss of C$8.3m, or 16 cents, a share a year earlier on sales of C$217m, compared *with $195m. Both 1991 periods* included write-downs for a pulp mill closure.

Cascades expects to make an initial public offering of Cascades Paperboard International this year. This new subsidiary includes nearly all its international packaging interests.

# GM to reduce its holding in National Car Rental Systems

By Martin Dickson

*GENERAL Motors*, which is looking to sell off non-core assets, wants to rid itself of a "significant part" of its majority per cent stake in National Car Rental Systems, the large US car rental company.

It also revealed in a filing with the Securities and *Exchange Commission that* it might take a fourth quarter charge of some $300m over National, though it did not spell out why

But GM added that the charge would be offset by gains from the sales of its Allison Transmission division and *of a 50 per cent holding* in Korea's Daewoo Motor. Both deals were announced earlier. Allison is being sold to ZF Friedrichshafen of Germany.

GM, which wants both to conserve cash and concentrate on restoring the profitability of its core North American *vehicle operations, is mulling* over the sale of both non-automotive business and some parts operations.

The disposal of National Car Rental Systems represents a significant change of course since, in the late 1980s, the Big Three Detroit manufacturers *bought up significant stakes in* car rental companies in an attempt to bolster market share.

However, the policy of cut-price deals with both captive and independent rental companies meant that the Big Three tended to lose money on these *sales, and also saw sales of* new cars suffer as the second-hand market was flooded with lightly-used rental vehicles.

GM bought 45 per cent of National in 1988 and lifted the stake by another 36 per cent at the start of this year.

# Turkey in fourth Gima sell-off attempt

By John Murray Brown in Ankara

TURKEY'S privatisation agency has embarked on its fourth attempt to sell Gima, the country's second largest supermarket chain.

The *PPFA*, the government agency entrusted with selling state assets to the public, announced that 94 per cent of Gima would be offered by block sale. Bids have *to be submitted* by January 18.

The agency has set a minimum price of TL88.7bn (around $10m) above which negotiations can begin.

It is to sell both its own shares and those of the co-operatives, an issue which was the main stumbling block on three previous attempts to sell the company.

Food and beverages is seen *as one of the* most attractive sectors. Carrefour, the French foods group, is already in negotiations to set up a local operation.

Koc, Turkey's largest industrial group, has a joint venture between its Migros subsidiary, Turkey's biggest supermarket chain, and another French concern, Prisunic, *with two shops in Istanbul*.

Gima owns 58 stores in Turkey, selling food and beverages. The company reported net sales of TL580bn in 1991, although high *operating* expenses reduced pre-tax profit to TL2bn.

The PPFA owns 50.5 per cent of Gima. Some 10 agricultural co-operatives own 43.6 per cent. The PPFA sold 4.3 per cent by public offering in 1991.

## INTERNATIONAL COMPANIES AND FINANCE

# Daewoo given unit merger deadline

By John Burton in Seoul

THE South Korean government said yesterday that Daewoo, the nation's fourth biggest conglomerate, must merge its shipbuilding and machinery subsidiaries by the end of the year.

The government agreed in 1989 to provide rescue loans to debt-ridden Daewoo Shipbuilding, an unlisted subsidiary, on condition it would later merge with its listed Daewoo Heavy Industries to improve the group's financial stability and rationalise operations.

The rescue package included loans and loan extensions totalling Won400bn ($502.8m) from the state-owned Korea Development Bank.

Daewoo also agreed to dispose of other assets, including four subsidiaries, property and stock, to keep the shipyard afloat.

It has invested Won500bn in Daewoo Shipbuilding as a result of the asset sales.

Daewoo's shipbuilding unit suffered losses in the late 1980s, caused by labour problems. Losses amounted to Won69.4bn in 1987, but narrowed to Won39.7bn by 1990.

Daewoo has asked the government several times to drop the merger condition since Daewoo Shipbuilding has returned to profitability, with earnings reaching Won79bn on sales of Won1,066bn in 1991.

It estimates that profits will reach Won150bn this year on sales of Won1,690bn, as the company diversifies into other business sectors, including vehicle manufacturing.

Nonetheless, Daewoo is concerned about adverse stock market reaction to a merger.

Shareholders in Daewoo Heavy Industries fear that a merger could cause management problems and weaken the company's financial position as its debt burden increases with the addition of the bigger shipbuilding unit.

Daewoo Heavy Industries had net earnings of Won18.9bn on sales of Won1,004bn in 1991.

Analysts said yesterday that Daewoo may try to delay the merger until next year in the hope that the new administration, which will take office in February, may overturn the decision.

The government did not reveal what penalties it might impose against Daewoo if the company refused to obey the order.

● Daewoo said yesterday it would begin developing a coal mine in China's Shandong province this year.

The mine venture will be a joint project with the Shandong government, each investing $150m.

Daewoo will also study the feasibility of manufacturing petrochemicals and rail carriages and building a hotel in the region.

# Mercedes takes stake in Ssangyong Motor

By John Burton

MERCEDES-BENZ, the German carmaker which is part of the Daimler-Benz group, yesterday acquired a 5 per cent shareholding in Ssangyong Motor, South Korea's fifth biggest vehicle producer, with the formal signing of a contract in Seoul.

Mercedes is the first European company to hold equity in a Korean automotive company. It has an option to increase its shareholding to 10 per cent by the end of 1996.

Mercedes wants to strengthen its presence in Asia to counter regional market competition from Japan.

Korea's other main vehicle companies already have foreign equity partners, including Hyundai Motor with Mitsubishi, and Kia Motors with Ford and Mazda. Daewoo Motor is co-operating with Honda after ending its joint venture with General Motors last month.

Mercedes and Ssangyong have been co-operating since early last year when the German company agreed to provide technology for diesel engines and light commercial vehicles.

Mercedes' proposed acquisition of Ssangyong equity, through the issue of new shares, was announced in September as part of a deal in which the German concern would provide technology for the manufacture of gasoline engines.

Ssangyong now produces commercial vehicles and jeeps, but hopes to enter the passenger car sector as a result of its partnership with Mercedes.

Ssangyong will begin producing trucks, using Mercedes technology, at its Songtan plant near Seoul in 1994 after completing a new engine plant at Changwon in southern Korea. It plans to expand the annual production capacity of the Songtan facility from 30,000 to 160,000 by 1996. It will export 15,000 of its trucks and vans to Europe, where they will be sold by Mercedes.

Ssangyong, which had sales of Won401.7bn ($504.9bn) in 1991, wants to increase sales to Won1,700bn by 1996.

## NZ recycling venture planned

SIMSMETAL, an Australian recycling company, has agreed to take control of the New Zealand operations of Pacific Metal Industries, a Fletcher Challenge (FCL) subsidiary, for NZ$20m (US$10.5m), writes Terry Hall in Wellington.

The companies will form a 50-50 joint venture which will dominate New Zealand's recycling of ferrous and non-ferrous materials.

The FCL unit has been the leading ferrous scrap recycler in New Zealand with an annual throughput of 150,000 tonnes.

The venture, to be known as Sims Pacific Metals, will be contracted to supply Pacific Steel, the FCL-controlled Auckland iron mill, with raw and imported materials.

## Proton wins a waiver on 30% foreign share ceiling

By Kieran Cooke in Kuala Lumpur

PROTON, the Malaysian carmaker, has won approval from the Malaysian government for foreigners to own more than 30 per cent of its shares.

Until now Malaysia has imposed a 30 per cent foreign shareholding limit on local companies involved in important areas of the economy.

Proton has a Malaysian government shareholding of just under 50 per cent. Mitsubishi, the Japanese carmaker, which has been central in developing the Proton car, holds about 20 per cent of its equity.

Foreign share buyers have shown strong interest in Proton recently and the 30 per cent shareholding ceiling was reached this month. The local market had expected Proton to apply for a separate foreign listing, but the government decided to waive the 30 per cent ruling.

Analysts doubt the government will lift the 30 per cent foreign shareholding limit across the board. They say such moves will be made only when there is sustained foreign interest in a stock.

There have been rumours that Hicom, the Malaysian government controlled industrial holding company with a 29 per cent Proton stake, might sell its shares in the car maker to raise cash for acquisitions.

## Nocil profits slip to Rs50m

NATIONAL Organic Chemicals Industries (Nocil), the Indian petrochemical group in which Anglo Dutch oil group Royal/Dutch Shell holds 33.3 per cent and the local Mafatlal Group holds 14 per cent, suffered a first-half setback, writes R. C. Murthy.

Net profits slumped by nearly two thirds to Rs49.8m ($1.75m) in the six months to September 30, from Rs132.2m a year earlier, on sales marginally ahead at Rs2.72bn against Rs2.7bn. Gross profits fell to Rs182.7m from Rs378.9m.

Shell has given Nocil the go-ahead for the first phase of a Rs4.32bn convertible bond issue to finance the building of a Rs30bn naphtha cracker.

## S African insurance group rises to R81m

By Philip Gawith in Johannesburg

SOUTHERN Life, South Africa's second largest listed insurance company, increased attributable profits by 18.5 per cent to R81m ($27m) in the six months to September.

Net premium income rose to R1.15bn from R953.2m during the same period in 1991. Net investment income, however, fell to R530.8m from R542.6m. Mr Jan Calitz, managing director, attributed this to lower interest rates and minimal growth in dividends from share investments. The rise in total income was limited to a 12 per cent increase, to R1.68bn from R1.49bn. Attributable profits rose to R81m from R68.3m, equivalent to 48 cents a share against 40.5 cents. The interim dividend was lifted to 32 cents per share from 27 cents.

Mr Calitz said the company had continued its practice of setting interim earnings and dividend figures at 50 per cent of the previous year's total. Full actuarial valuations were undertaken at the end of each year.

Total assets rose 6.3 per cent to R17.5bn from R16.4bn. The figures reflect the recent weak performance of the South African stock market. New business totalled R511m, a 39 per cent rise over the 1991 first half. Single premium business accounted for R299m and new recurring business for R212m.

## Appointments at Brambles

BRAMBLES Industries, an Australia-based transport and waste-management company, said yesterday that Mr Gary Pemberton will retire as chief executive in March but will take on the role of chairman, AP-DJ reports from Sydney.

Mr Alan Coates, the current chairman, retires from this position to become deputy chairman.

Mr John Fletcher, 41, will succeed Mr Pemberton as chief executive.

# Toyota and bank named as takers in Indonesia's Astra

By William Keeling in Jakarta

ASTRA International, Indonesia's dominant automotive company, yesterday announced the identity of the two buyers of 40m shares sold last Friday for Rp400bn ($191m) by the Soeryadjaya family, its majority shareholder.

The shares, 16.5 per cent of issued shares, were sold in two 20m blocks to the pension fund of state-owned Bank Dagang Negara (BDN) and to Newark of Hong Kong.

Astra officials said Newark, the ownership of which was not disclosed, is acting as a nominee for its shares, which are being held in an escrow account while negotiations with a foreign purchaser are finalised.

Toyota of Japan, whose vehicles Astra assembles and distributes in Indonesia, is the preferred buyer and has agreed in principle to take 20m shares, Astra said.

Mr Sumitro Djojohadikusumo, Astra chairman, said the Soeryadjaya family still held a 54 per cent stake in the company but "they'll probably lose the majority control".

The Soeryadjayas have been compelled to raise finance for their privately-owned Bank Summa, which was suspended from clearing operations by Bank Indonesia, the Indonesian central bank, last week with bad debts of over Rp1,000bn.

Bankers say the Soeryadjaya family may have pledged much of their remaining Astra stake against loans.

The announcement that BDN Group pension fund has taken 20m Astra shares could cause a rift within the Indonesian government over the use of state funds and institutions in aiding Bank Summa.

One senior government official has privately argued against any state-related pension fund buying shares from the Soeryadjayas. This would "indirectly [be] bailing out Bank Summa. We don't want to create a precedent here," he explained.

Executives of 17 private banks, which are forming a consortium to take over Bank Summa's small-scale depositors, said privately they are doing so only under pressure from Bank Indonesia.

Most members of the consortium, which is raising over Rp150bn, have yet to see Bank Summa's books.

As one broker explained: "The banks are blindly signing cheques, and they don't like it."

# Thai group to take control of parent

By Victor Mallet in Bangkok

CHRISTIANI and Nielsen (Thai), the Thai construction company, is planning to take control of its Danish parent Christiani and Nielsen and move the group's headquarters to Bangkok in what is thought to be the first such "reverse takeover" of its kind in Thailand.

The move, confirmed by the Thai company yesterday, reflects the increasing strength of the subsidiary compared with its ailing Danish parent.

One stockbroker in Thailand said yesterday: "Official concerns are that given the weakness of the parent company it might be open to some kind of hostile takeover."

Christiani and Nielsen (Thai), which is 42.17 per cent owned by the Danish parent, declined to give financial details of the proposed deal yesterday.

Company executives in Bangkok said an announcement was expected in the next few days, following delays caused by the unfamiliarity of Thai accountants and advisers with such a transaction and by the slowness of the Stock Exchange of Thailand in granting its approval.

Christiani and Nielsen (Thai) shares have been suspended at Bt129 – which values the Thai company at about $230m – since it announced an unidentified takeover plan in September.

Mr Peter Kirketerp, financial controller of the Thai unit, said yesterday there were no plans to cease operations in Europe. "Certainly not, if it's up to us," he said.

"We want to put some gas into it."

He added: "It does make commercial sense. It does give access to resources which this company does not have at the moment... I think it's a bit unusual – the first time that a Thai company is taking over its parent."

# Land and House plans two bond issues

By Victor Mallet

LAND and House, the Thai property developer, yesterday announced plans to launch a $80m convertible bond, expected to be listed in London, and a Bt2bn ($78.7m) bond for the Thai market.

The company said it was seeking shareholders' approval for the issues and for an increase in its capital to Bt5bn from Bt1.5bn. Of 350m new Bt10 bonds, 175m will be set aside for buyers who wish to exercise their rights.

Land and House will use Bt3bn of the money raised to reduce debt and the rest to buy land and property.

Unconsolidated third quarter net profits rose 88 per cent to Bt314m over the same period last year, prompting a string of buy recommendations from brokers.

● Bangkok Land, Thailand's biggest property company, last month announced plans to borrow money abroad to finance expansion. The company said it intended to issue SFr50m ($35.7m) of notes for Swiss investors through a Cayman Islands subsidiary.

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## INTERNATIONAL CAPITAL MARKETS

# Dutch, Belgian rate cuts dominate trading

By Tracy Corrigan

SMALL interest rate cuts in the Netherlands and Belgium dominated trading in European government bonds yesterday, leading to a late rally in most European markets yesterday.

■ ALTHOUGH Germany was closed for a holiday, the impact fed through into the German bond market, as speculation mounted that a German interest rate cut may follow shortly. The German bund future on the London International Financial Futures & Options Exchange rose ¼ point to close at 91.26.

Dealers said the reaction was exaggerated because of thin volume due to the holiday.

■ THE 10 basis-point cut in the Dutch special advances rate to 8.70 per cent yesterday pushed Dutch rates below German rates once again. The special advances rate is comparable to the German repo rate, currently 8.75 per cent, which added to expectations that the repo rate is set to fall.

The Belgian central bank again moved in tandem with the Dutch, cutting its overnight rate by five basis points.

"Although German interest rates are on the way down, [yesterday's rate cuts are] a flimsy reason to conclude that there will be a imminent German rate cut," said Mr Klaus Baader, an economist at UBS Phillips and Drew. "The two currencies [guilder and Belgian franc] move in tandem, and [the central banks] have clearly reacted to the strength of the currencies."

■ NEWS of the Dutch and Belgian rate cuts prompted renewed buying interest in the gilts market, even from some foreign accounts which had disappeared following sterling's exit from the European exchange rate mechanism in September. A 0.1 per cent increase in retail sales for October helped improve the tone in the gilts market.

After a quiet day's trading, the market suddenly put on a spurt at the end of the day, bouncing a full point.

■ US TREASURY prices were little changed in thin trading yesterday morning, although there were reports of sporadic retail buying at the long end.

By midday the benchmark 30-year government bond was up 1/32 at 101 1/32, yielding 7.532 per cent. At the short end of the market, the two-year note was also up 1/32 at 99 31/32 to carry a yield of 4.588 per cent.

Trading was subdued throughout the morning, with the market registering no real reaction to the news that the US trade gap narrowing in September, from $9bn in the previous month to $8.3bn, a move that was in line with market expectations.

Dealers said that the reluctance of many players in the market to get involved was due to the impending announcement from the Treasury of the size of its next offering of two-year and five-year notes.

### GOVERNMENT BONDS

**BENCHMARK GOVERNMENT BONDS**

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 10.000 | 10/02 | 107.0612 | -0.138 | 8.91 | 8.86 | 8.69 |
| BELGIUM | | 8.750 | 06/02 | 104.1600 | +0.120 | 8.10 | 7.97 | 8.24 |
| CANADA * | | 8.500 | 04/02 | 102.8000 | +0.450 | 8.07 | 7.94 | 7.91 |
| DENMARK | | 9.000 | 11/00 | 100.9250 | -0.775 | 8.83 | 8.58 | [illegible] |
| FRANCE | BTAN | 8.500 | 03/97 | 101.7987 | +0.214 | 7.96 | 7.91 | 8.45 |
| | OAT | 8.500 | 11/02 | 102.9150 | [illegible] | 8.06 | 8.06 | 8.40 |
| GERMANY | | 8.000 | 07/02 | 104.0900 | +0.290 | 7.39 | [illegible] | 7.35 |
| ITALY † | | 12.000 | 06/02 | 94.7750 | -0.146 | 13.39† | 13.40 | 14.34 |
| JAPAN | No 119 | 4.600 | 06/99 | 101.3444 | -0.103 | 4.54 | 4.58 | 4.71 |
| | No 145 | 5.600 | 03/02 | 105.4309 | -0.449 | 4.67 | 4.62 | 4.81 |
| NETHERLANDS | | 8.250 | 06/02 | 104.7300 | +0.120 | 7.53 | 7.51 | 7.61 |
| SPAIN | | 10.300 | 06/02 | 88.4500 | [illegible] | 12.39 | 12.56 | 12.88 |
| UK GILTS | | 10.000 | 11/96 | 103-26 | [illegible] | 7.12 | 6.91 | 7.53 |
| | | 9.750 | 08/02 | 109-10 | [illegible] | 8.31 | 8.03 | 8.67 |
| | | 9.000 | 10/08 | 102-21 | +5/32 | 8.67 | 8.55 | 9.15 |
| US TREASURY * | | 6.375 | 08/02 | 98-31 | +3/32 | 6.81 | 6.85 | 6.53 |
| | | 7.250 | 08/22 | 96-09 | -2/32 | 7.56 | 7.76 | 7.57 |
| ECU (French Govt) | | 8.500 | 03/02 | 99.0250 | [illegible] | 8.65 | 8.81 | 9.06 |

London closing *New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

**FT FIXED INTEREST INDICES**

| | Nov 18 | Nov 17 | Nov 16 | Nov 13 | Nov 12 | Year ago | High * | Low * |
|---|---|---|---|---|---|---|---|---|
| Govt Secs (UK) | 94.06 | 94.06 | 94.01 | 94.98 | 95.34 | 86.48 | 95.54 | 85.11 |
| Fixed Interest | 109.01 | 109.30 | 109.42 | 110.08 | 110.26 | 96.20 | 110.26 | 97.15 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

**GILT EDGED ACTIVITY**

| Indices* | Nov 17 | Nov 16 | Nov 13 | Nov 12 | Nov 11 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 185.3 | 185.9 | 214.3 | 312.2 | 296.3 |
| 5-Day average | 238.8 | 262.3 | 280.6 | 287.6 | 270.5 |

* SE activity indices rebased 1974

# Focus shifts to pricing in subdued conditions

By Brian Bollen

PRICING and structuring provided the main talking points in the international bond markets yesterday, in a relatively subdued atmosphere for new issues.

### INTERNATIONAL BONDS

The $250m five-year issue from LKB Baden-Württemberg Finance was widely described as aggressively priced at 24 basis points over comparable US Treasuries, despite the acknowledged quality of the name, the triple-A rating and the explicit state guarantee. Traders felt the spread should have been in the low 30s, particularly in the light of this week's heavy supply of dollars at the short end of the market. LKB is understood to have swapped the proceeds into sub-Libor US dollars.

The $150m five-year issue for Isveimer via Kredietbank in Luxembourg is being seen as an example of the kind of structure and pricing that Italian would-be borrowers will have to resort to in order to overcome investor fears about term investment in Italy.

The structure offers investors a put option every six months, designed to give the borrower effectively medium-term funding and the investor a six-month deposit at a higher yield. The spread was described as generous and the fees as "enormous" for what could be six-month paper if investors were to exercise their first option to exit.

The collared floating rate note is bearing up surprisingly well in view of rising short-term dollar interest rates, say traders. But Lehman Brothers, which led a further $50m 10-year issue for the World Bank, fungible with a $100m issue led by Kidder Peabody in late October, says issuers need to remain prudent and tap this niche of the market only for small amounts.

The European Bank for Reconstruction and Development also reopened an issue, offering a further A$50m of bonds fungible with A$300m-worth led by SBC Dominguez Barry in June. Traders described this as an opportunity for European investors to buy exposure to Australian dollars at a lower level.

Expectations are mounting that Belgium will launch a Euroyen bond offering for up to Y75bn over seven years through Nomura International.

The deadline for bids in the UK Government's auction of privatised companies' debt is the close of play today. Baring Brothers, which is organising the auction, says it expects high bidding interest from the issuers (British Telecom and the electricity generators and distributors) and from third parties in the UK and overseas.

● A decision on whether to grant Australian Consolidated Investments (ACIL) leave to pursue an appeal in the House of Lords is expected in the next few days, according to sources close to the case.

ACIL is seeking to overturn a Court of Appeal decision that the right of investors to exercise a put option on a Bell Resources convertible overrides the issuer's call option at a lower price.

**NEW INTERNATIONAL BOND ISSUES**

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | |
| LKB Baden-Wuerttemberg Fin. | 250 | 6.25 | 99.633 | 1997 | 25/18bp | Nomura Int. |
| Isveimer(a)‡ | 150 | (a) | 100 | 1997 | 45/41bp | Morgan Stanley Int. |
| World Bank(b)‡ | 50 | (b) | 100 | 2002 | - | Lehman Bros.Int. |
| YEN | | | | | | |
| Secom Co.(c)§ | 30bn | (c) | 100 | 1996 | 2½/1¾% | Nomura Int. |
| Shin Nikkei Co. | 10bn | 3.4 | 101.05 | 1999 | 1⅞/1.7% | Nomura Int. |
| AUSTRALIAN DOLLARS | | | | | | |
| EBRD(d)‡ | 50 | 9 | 101.842 | 2002 | - | Merrill Lynch Int. |
| SWISS FRANCS | | | | | | |
| Du Pont de Nemours** | 150 | 6.25 | 102 | 2000 | - | Swiss Bank Corp. |

Final terms and non-callable unless stated. **Private placement. §Convertible. ‡Floating rate note. (a) issued on a fiduciary basis via Kredietbank Luxembourg. Coupon pays 75bp above 6-month Libor. Callable and puttable at par on all coupon payment dates. (b) Fungible with $100m outstanding. Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8¼%. (c) Final terms fixed on 20/11/92: coupon indicated at 2-2¼% and conversion premium at 2½%. Callable from 1/4/93 – subject to share price being 125% of conversion price for 20 consecutive days – at 100%, declining by ½% per annum. (d) Fungible with A$300m bonds launched on 17/6/92. Plus 58 days' accrued interest.

# Hungary moves to broaden debt market

By Nicholas Denton in Budapest

HUNGARY is poised to broaden significantly its government debt market by issuing the country's first state bonds to have a maturity of five years and be accessible to foreign investors.

Finance ministry officials and underwriters were still finalising terms yesterday evening, but participants said they expected the issue to be of the order of Ft7bn ($84m), to bear a coupon of 16 per cent and to be priced at or just below par.

The issue, if the two sides reach agreement, will be only the second fixed-rate government bond issue. The authorities launched the market in October with a three-year bond with a step-down coupon of 21, 17 and 14 per cent.

The government also placed 10-year paper with AB-Aegon, Hungary's largest insurer, but this issue is not traded. Treasury bills are issued regularly for maturities of one to 12 months.

Brokers had hoped that the forthcoming five-year bond would flesh out the debt market and allow the construction of a genuine yield curve. But some said that the government's aggressive pricing is likely to distort and depress the yield, to leave it lower than that for both shorter-term and longer-term debt.

The prospective government debt instrument is also the first which foreign investors can buy directly, and so participate in Hungary's most active and liquid securities market. Banque Indosuez Hungary, the local subsidiary of France's Banque Indosuez, is part of the underwriting consortium handling the international tranche.

International institutions were previously restricted to indirect investment in government debt through locally-based funds such as that set up earlier this year by CA Securities, the investment banking arm of Austria's Creditanstalt. The authorities also restricted non-Hungarians to 20 per cent in any such fund.

# Traders' costs fall as volume soars on futures exchanges

By Richard Waters

FUTURES brokers in Europe have had a banner year, with commission income leaping above last year's levels in the wake of soaring trading volume on most European exchanges.

One result has been lower costs for the most active traders, as higher volume has translated into lower commissions. Turnover rose sharply on the main European futures markets in the first 10 months. In London, the number of contracts traded leapt by 78 per cent over last year, to 48m. In Paris, volume was up 56 per cent to 47m.

Futures exchanges have been among the biggest beneficiaries. Liffe reckons its income this year will reach £60m ($90.6m), compared with £33m in 1991. A year ago, it was considering borrowing to help finance a move into new premises. Thanks to the jump in trading volume, it has been able to pay for the move out of current income, rebuild its reserves and still plan to hand money back to its members.

Brokers have seen a similar rise in income. With fixed costs accounting for a high proportion of total outlays, much of the extra revenue has flowed straight through into profit. In some cases, the benefits are being passed on to customers.

Barclays de Zoete Wedd says its typical commission (excluding clearing costs) for its most active customers has fallen from £1.50 per contract a year ago to around £1. Clearing costs, though, have remained stable, with a further 45p fee payable to Liffe.

Paris trading costs have followed a similar pattern. From FFr16 a year ago, Matif commissions are now nearer FFr10 for active customers.

However, these reductions have not come across the board. Another London broker says that its all-in charges – which range from around £5-£8, depending on the customer – for a "round-trip" (a purchase and a sale), had not changed over the year.

Part of the reason why commissions have not fallen further, says brokers, is that rates have historically been too low to make futures broking a profitable business in its own right. Many banks act as brokers, mainly to transact in-house orders from other parts of their group, and as a result offer broking services to clients at a marginal cost.

Also, brokers fear the consequences if this year's volatile market conditions are not repeated.

The head of one futures trading operation in London said: "If we cut commission rates now to reflect good volumes, how do you get them up again next year? Commissions are a one-way street."

Investors generally seem to accept the rates they are asked to pay.

"It works both ways," says one of the UK's biggest insurance companies, which adds it is still paying much the same commissions as a year ago. "If I want first call from a broker, I have to pay the market rate for the service."

Estimating how much commission brokers have earned in total is not easy.

Charging methods differ, with some firms applying an all-in rate and others charging separately for brokerage and clearing.

Also, much of the business conducted on exchanges is either commission-free or at low rates. Two out of every five trades on Liffe are prompted by member firms trading for their own account or by orders from the members' associates.

If the other 60 per cent of trades had earned an average commission of just £3 each (including clearing, but not the exchange charge), Liffe brokers would have earned around £170m so far this year (since two commissions – a purchase and sale – are paid on each bargain).

Brokers also earn interest on clients' margin payments. According to one estimate, this accounted for as much as a quarter of some brokers' total income a year ago, but is now down to below a fifth due to falling interest rates.

## MARKET STATISTICS

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 18

U.S. DOLLAR STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS

[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 35 | 23 | 20 |
| Other Fixed Interest | 5 | 3 | 9 |
| Commercial, Industrial | 294 | 222 | 906 |
| Financial & Property | 160 | 150 | 492 |
| Oil & Gas | 15 | 22 | 47 |
| Plantations | 0 | 0 | 9 |
| Mines | 13 | 34 | 98 |
| Others | 21 | 63 | 32 |
| Totals | 542 | 517 | 1,613 |

### LONDON RECENT ISSUES

**EQUITIES**

| Issue Price | Amount Paid up | Latest Renunc. Date | 1992 High | 1992 Low | Stock | Closing Price | +or- | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | | |

**FIXED INTEREST STOCKS**

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1992 High | 1992 Low | Stock | Closing Price £ | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

**RIGHTS OFFERS**

| Issue Price | Amount Paid up | Latest Renunc. Date | 1992 High | 1992 Low | Stock | Closing Price | +or- |
|---|---|---|---|---|---|---|---|
| 150 | Nil | 23/11 | 80pm | 42pm | [illegible] | 54pm | [illegible] |
| 4½ | Nil | 8/12 | 1½pm | 1pm | Prime People | 1½pm | |
| 25 | Nil | 1/3 | 6pm | 1pm | Property Trust | 1pm | |

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. d Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

### TRADITIONAL OPTIONS

● First Dealings Nov. 9
● Last Dealings Nov. 20
● Last Declarations Feb. 11
● For settlement Feb. 22

*3-month call rate indications are shown in Saturday editions.*

Calls in Ferranti, Jardine Matheson, HSBC (HK$10 stock), Norex, Premier Cons., Ramco Oil Servs., Ratners, Rhino, Simon Eng, Taunton Cider and Windsor. Put in Raine Inds. Double in Tarmac.

### FT-SE ACTUARIES INDICES

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### LIFFE EQUITY OPTIONS

[illegible]

November 18 Total Contracts 19,975
Calls 13,872 Puts 6,103
FT-SE Index Calls 6,411 Puts 1,872
Euro FT-SE Calls 302 Puts 816
*Underlying security price † Long dated expiry months
Premiums shown are based on closing offer prices.

### FT-ACTUARIES FIXED INTEREST INDICES

**PRICE INDICES**

| | | Wed Nov 18 | Day's change % | Tue Nov 17 | Accrued interest | xd adj. 1992 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | Up to 5 years (22) | 128.60 | +0.04 | 128.54 | 2.11 | 10.99 |
| 2 | 5-15 years (25) | 145.81 | +0.08 | 145.70 | 2.34 | 11.85 |
| 3 | Over 15 years (8) | 152.76 | +0.23 | 152.41 | 2.57 | 10.57 |
| 4 | Irredeemables (6) | 170.60 | -0.22 | 170.98 | 0.74 | 13.45 |
| 5 | All stocks (61) | 142.39 | +0.08 | 142.27 | 2.30 | 11.64 |
| | Index-Linked | | | | | |
| 6 | Up to 5 years (2) | 183.90 | -0.07 | 184.02 | 0.52 | 3.66 |
| 7 | Over 5 years (10) | 167.01 | -0.34 | 167.58 | 1.10 | 4.04 |
| 8 | All stocks (12) | 168.09 | -0.30 | 168.59 | 1.02 | 3.96 |
| 9 | Debs & Loans (62) | 122.69 | -0.44 | 123.23 | 2.46 | 10.48 |

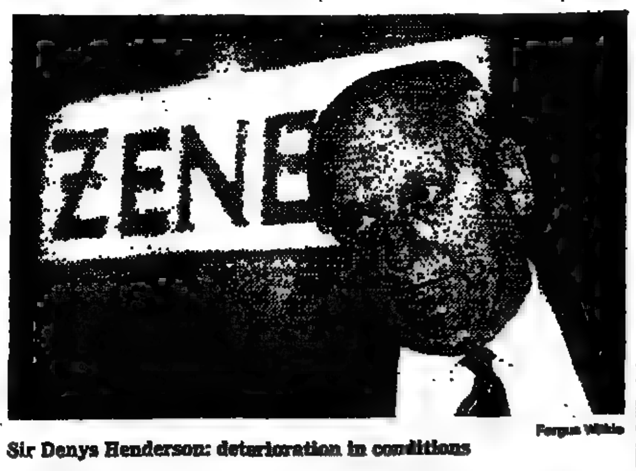
**AVERAGE GROSS REDEMPTION YIELDS**

| | | | Wed Nov 18 | Tue Nov 17 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 7.07 | 7.08 | 8.61 |
| 2 | Coupons | 15 years | 8.22 | 8.24 | 9.48 |
| 3 | (0%-7¾%) | 20 years | 8.48 | 8.50 | 9.48 |
| 4 | Medium | 5 years | 7.41 | 7.43 | 9.77 |
| 5 | Coupons | 15 years | 8.67 | 8.68 | 9.61 |
| 6 | (8%-10¾%) | 20 years | 8.87 | 8.88 | 9.56 |
| 7 | High | 5 years | 7.65 | 7.66 | 9.99 |
| 8 | Coupons | 15 years | 8.98 | 9.00 | 9.69 |
| 9 | (11%-) | 20 years | 9.07 | 9.09 | 9.61 |
| 10 | Irredeemables (Flat Yield) | | 8.86 | 8.85 | 9.68 |
| | Index-Linked | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 2.45 | 2.48 | 3.74 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.78 | 3.75 | 4.22 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 1.58 | 1.55 | 3.08 |
| 14 | Inflation rate 10% | Over 5 yrs | 3.59 | 3.56 | 4.03 |
| 15 | Debs & | 5 years | 8.84 | 8.80 | 11.36 |
| 16 | Loans | 15 years | 9.95 | 9.88 | 11.19 |
| 17 | | 25 years | 10.13 | 10.08 | 11.02 |

COMPANY NEWS: UK

# ICI decision on split fixed for February

By Paul Abrahams



Sir Denys Henderson: deterioration in conditions

SIR DENYS Henderson, chairman of Imperial Chemical Industries, yesterday admitted there had been a deterioration in market conditions since July, when he announced the company's intention to split into two separately quoted entities.

A decision whether to go ahead with the split would be made in February and be dependent on market conditions, Sir Denys said. The fall in UK interest rates and decline in sterling would prove beneficial, he pointed out.

However, the board would consider the group's trading outlook for next year and the willingness of stock markets to accept a share issue by the bioscience business, yesterday renamed Zeneca, which includes the pharmaceuticals, agrochemicals and most of the specialities divisions.

Mr David Barnes, chief executive designate of Zeneca, said the split increased the possibility that Zeneca might make a series of acquisitions. Although the group had a viable base it did not have critical size in a number of markets. There was no detailed masterplan of acquisitions, however.

The new ICI executive team will be headed by Mr Ronnie Hampel, as chief executive officer. It will include Mr Colin Short, presently ICI finance director, Mr Chris Hampson and Mr Rob Margetts. Mr Victor White will continue as solicitor and secretary, while Mr Alan Spall will remain general manager of finance and Mr Trevor Harrison general manager of planning.

As well as Mr Barnes, the Zeneca board will involve Mr Peter Doyle and Mr Tony Rodgers, together with Mr John Mayo, finance director. Mr Graeme Musker will be secretary and solicitor, Mr Norman Lyle, general manager of finance, and Mr Hugh Donaldson, general manager of corporate resources.

Sir Denys, who will be non-executive chairman of both companies, said non-executive directors would be announced when and if Zeneca became a public company.

The Zeneca name was one of 1,000 considered with the help of Interbrand, the branding consultancy. Mr Barnes said some non-UK subsidiaries were compelled for legal and commercial reasons to change their name. He refused to detail the costs involved, but said it was a five-figure sum. Zeneca would initially use ICI's Millbank headquarters, but would seek another site in London.

Sir Denys said the new ICI would have a number of powerful businesses which were sector leaders.

# ACT metamorphosis attracts admirers

## Profits of up to £10m are expected from the computer group, reports Alan Cane

ANYONE wakening from a decade-long slumber might wonder what the fuss over ACT Group is all about.

The Birmingham-based computing services company is expected today to release interim figures showing growth and profitability that would be the envy of larger competitors. Nothing very unusual about that, the erstwhile sleeper might think. ACT was always a quality stock.

But in those ten years the sleeper would have missed a remarkable metamorphosis.

Maintaining momentum: Mike Hart, managing director (left) with Roger Foster, chairman

The company has gone from computing services to hardware manufacturing under the Apricot banner and back again to computing services under its original name, the barely profitable hardware arm disposed of to Mitsubishi Electric of Japan.

The quality of the company's earnings over the past 30 months is convincing observers that ACT is fast becoming a kind of computing services company new to the UK; a supplier of packaged software with a range of products international in appeal and broad enough to protect its profitability in the worst trading environment the industry has ever experienced.

It is expected to announce pre-tax profits of between £9.5m and £10m, up as much as 30 per cent on the same period last year, which itself was boosted by £1m from the sale of shares in SD-Scicon, another services company, to Electronic Data Systems.

European services companies have traditionally been weak in the package business, having neither the homogeneous market nor economies of scale (or, sadly, the money-spinning ideas) which have been the keys to the success of US packaged software companies like Microsoft or Lotus.

*There are only a few exceptions:* Micro Focus of the UK, whose software engineering tools are the justification for its £24-plus share price, or SAP of Germany whose corporate accounting package is used by a clutch of international companies.

ACT, however, now derives more than half its profits from the package business. Through a combination of internal development and acquisition, it has built up a portfolio of products in a diversity of market sectors.

The City seems encouraged to believe that ACT has got the recipe right, predicting pre-tax profits for the full-year of about £22m on sales of more than £150m, the second year in succession in which profits will have risen by about 30 per cent. Results of that order would put ACT on an unambitious prospective p/e of about 15, in line with the sector average.

ACT operates in five very different areas: finance, healthcare, the public sector, corporate networks and computer support.

Computer support – essentially hardware and software maintenance – is a mature business growing slowly but providing a steady revenue stream. Networking is expanding vigorously, but revenue growth is affected by the falling cost of hardware.

*The market for finance and healthcare packages, however,* is growing rapidly, a phenomenon ACT has exploited through a series of shrewd, sometimes opportunistic acquisitions.

**The date when ACT's offer for NMW Computers becomes unconditional has been extended by two weeks to December 2, it emerged last night, after the Office of Fair Trading said it was still considering the implications of the deal. At issue is the share of the UK market for stock processing software – estimated at between 20 per cent and 25 per cent – which would be held by the merged company.**

Financial services, the company's strongest suit, generated 30 per cent of total revenues in 1991 and substantially more is expected this year.

In 1991 ACT bought Kindle, Ireland's largest software house, and the City of London firm, Quotient.

NMW, the stock processing company, went earlier this year to ACT for £3.8m, representing 18p a share, or 43 per cent of the price prior to the bid, a reflection both of NMW's problems and a sharp rise in the company's price as rumours of the bid spread.

Quotient had a string of overseas offices, but Mr Roger Foster, ACT chairman and founder, says the £34m Kindle acquisition took the company out of its traditional role of developing departmental systems for banks and insurance companies and into the emerging financial centres of the Middle and Far East and retail banking packages.

Through Quotient and Kindle, ACT took the critical step to become an international software company.

Mr John Patterson, electronics industry analyst with Albert E Sharp, ACT's broker, points out that the group now has 10 developed financial software packages which could be sold in seven different countries, a matrix of 70 marketing opportunities, of which ACT is currently exploiting 28.

"There is still an enormous amount to go for," he says. An example is the pioneering sale of ACT Citydesk market information delivery system to Kemper Securities Group in Chicago.

ACT Medisys, a £13m healthcare operation, is small compared with financial services, but growing vigorously. It develops "open software" applications which run on a wide range of hardware under the Unix operating system. It acquired Stemm Computing, which supplied patient management and administrative systems for hospital departments in 1991 and Medical Computer Services, which provides software for private sector hospitals, in 1992.

The vigour of the financial and healthcare sectors is at least partially explained by the effects of recession. Both have turned increasingly to packages rather than expensive tailor-made software as the financial situation has tightened.

Logsys, its public sector systems operation, is a sizeable problem for ACT. It is expected that it will have lost money in the first half of the year.

The problem, according to Mr Mike Hart, group managing director, is speed of change. Logsys was a supplier of computer hardware, typically Apricot, to government departments, a low margin business and an increasingly unprofitable one as government moved to direct procurement from manufacturers.

ACT's answer has been to transform Logsys into a systems integration company, a specialist in linking equipment from different vendors into sophisticated information technology systems. This has meant 18 months of pain as people and skills have had to be changed. Mr Hart says there is light at the end of the tunnel, however. The division has already secured contracts worth £1m a year in connection with Department of Social Security projects.

Can ACT maintain its momentum and become as Mr Richard Holway, editor of the Holway Report and a seasoned observer of the computing services business, suggests the "most profitable UK computing services company?"

It still has some £20m cash from the Apricot disposal to spend on acquisitions and there is no sign that the present management is tiring of the struggle.

Analysts believe the company is tightly managed and that Mr Foster is worth the £273,000 he was paid in 1991, putting him at the top of Holway's league table of computing services salaries.

Mr Foster says he believes ACT's progress is due to strong management at head office and in the branches and a strong team aimed at mergers and acquisitions.

# IDV sizes up 33.8% Buton stake

By Philip Rawstorne

INTERNATIONAL Distillers & Vintners, the drinks arm of Grand Metropolitan, is to acquire a 33.8 per cent stake in Buton, the Italian premium spirits producer.

The £21m deal, with a group of minority shareholders, follows IDV's acquisition earlier this week of a 30 per cent stake in Gonzalez Byass, the Spanish sherry and brandy company.

IDV stressed yesterday the move did not signal a full bid for the Italian company, which is controlled and managed by the Sassoli de Bianchi family.

"An approach will be made proposing a commercial relationship between IDV and Buton on a worldwide basis," it said.

"In the event that IDV is unable to develop such a long term relationship, it has made arrangements which will allow it to sell the 33.8 per cent interest back to the vendor shareholders."

A partnership agreement with Buton, on the lines of those being developed with Gonzalez Byass and Jose Cuervo in Mexico, would give IDV access to Italy's leading spirits brand, Vecchia Romagna, a premium brandy, together with a range of liqueurs and wines.

Italian sales of Vecchia Romagna amount to nearly 800,000 cases a year.

Another 200,000 cases are exported, according to International Drinks Bulletin.

Buton has been trying to expand export sales and access to IDV's international distribution network would offer considerable opportunities.

The Italian group, which is the only drinks company quoted on the Milan stock exchange, also has a speciality foods business.

# Flotation proceeds lift Anglian Group

By Richard Gourley

ANGLIAN GROUP, the maker of double glazing which floated on the stock market in July, yesterday reported only a slight dip in interim operating profits despite the continuing low level of consumer confidence.

But at the pre-tax level profit for the six months ended September 26 1992 rose from £8.86m to £10.3m, on sales down marginally at £71.4m, compared with £72.5m.

This pre-tax profit growth disguised a much higher interest charge in 1991 – £2.53m against £597,000 this time – before the proceeds of the flotation.

*Earnings per share were up* from 8.9p to 9p and an interim dividend of 3.7p is declared.

Mr Bill Hancock, managing director, said in the first seven weeks of the current period retail sales had improved year on year, despite the shock of a collapse in sales in September around the departure of sterling from the ERM.

During the first half retail sales fell from last year's levels while public sector sales in the commercial division increased from 10 per cent to 11 per cent.

By year-end they were expected to account for up to 15 per cent of sales. Mr Hancock said the margins on the public sector side were only slightly *lower than they are in retail* sales.

Overall, group operating margins fell from 15.7 per cent to 15.2 per cent.

On a pro-forma basis – restated to take account of the issue of the new shares – pre-tax profits rose in the period from £10.8m to £11.4m and earnings were 0.5p higher at 8.5p.

The group reached the half-year stage with net cash in hand of £16m.

**● COMMENT**

Anglian has had a chilly reception since coming to the market. But the results suggest it has weathered the storm remarkably well, thanks partly *to its vertical integration and* partly to the foresight of developing the local government market. An acquisition in this area would be an obvious use for some of its post-flotation cash pile and would use spare manufacturing capacity, although taken too far expansion in this area must lower overall margins. But Anglian is still faced with what to do with its cash. Diversification carries with it risks that this management team may not have previously met. Meanwhile, Anglian is likely to produce profits of £22m before tax this year, or earnings of 17p per share, giving a prospective multiple of under 13 that is undemanding.

# Costain seeks dismissals in Australian case

By Andrew Taylor, Construction Correspondent

COSTAIN, the UK construction group, has asked the US Federal Court and the High Court in the UK to dismiss proceedings designed to prevent it from selling its Australian coal mining business to a higher bidder.

This follows legal moves to prevent Costain from selling the business to Altus Finance, a subsidiary of Credit Lyonnais, the French bank.

Peabody Holding, the US-based coal-mining subsidiary of Hanson, the UK conglomerate, has asked the US courts to enforce an earlier agreement which would have allowed it to buy the New South Wales coal mines.

Altus earlier this month agreed to pay $245m (£162m) for the mining operations and Costain's remaining Australian commercial property interests.

This compares with an offer of $200m from Peabody for just the coal mining business.

Peabody alleges that Costain in accepting the Altus bid has acted in "bad faith and breach of written obligations".

Costain said yesterday that it had asked the US Federal court to dismiss the Peabody action. It has also started proceedings against Peabody and Hanson Holdings in the UK High Court seeking a declaration that the deal with Altus be permitted to proceed.

The UK construction group said that the original agreement was with a UK subsidiary of Hanson and that "this was recognised by the specific and voluntary agreement by the parties to accept English law and jurisdiction.

Peabody has demonstrated its bad faith by choosing to ignore this.

"We have therefore taken appropriate steps to seek dismissal of the action in the US and have moved in the UK to establish our right to proceed with and complete our agreement with Altus."

# Interest charges behind 20% fall at Young & Co's

By Graham Deller

Profits before tax at Young & Co's Brewery showed a 20 per cent decline, from £3.07m to £2.45m, for the six months to September 26.

However, Mr John Young, chairman of the south London-based brewer, was quick to point out that the fall was partly attributable to high interest rates during the period – interest charges jumped £685,000 to £1.7m; profits at the trading level improved 8.3 per cent to £4.15m.

The previous period included a profit of £247,780 from the disposal of Young's stake in Taunton Cider.

Mr Young said the poor summer had "badly affected" riverside and garden pubs while recession hit houses in the City.

Nevertheless, turnover, taking in a full contribution from HH Finch, rose some 16 per cent to £37.4m (£32.1m). Barrelage was 6.2 per cent higher, Mr Young added.

He was "reasonably optimistic" about the outlook: "We estimate that the new, lower interest rates will lead to a saving of £400,000 in the second half."

The interim dividend is maintained at 7p, payable from earnings of 12.27p (15.45p).

NEWS DIGEST

## S Jerome approaching break-even

THE continuing improvement at S Jerome & Sons (Holdings) was reflected in the 1992 first-half figures, which showed a near break even position.

Mr Alan Jerome, chairman, said the group was "moving towards a satisfactory performance with the eventual *return to* profitability."

The pre-tax loss was cut from £576,000 to £9,000, on turnover of £21.5m (£16.9m).

The specialist textile side turned round to an operating profit of £54,000 (loss £262,000) on turnover ahead 12 per cent.

Now that the balance sheet had been considerably *strengthened* by the sale of CMR, the electronics division, Mr Jerome said it was intended to concentrate on the core textile interests via expansion into new areas.

The electronics side lifted operating profit from £137,000 to £422,000. But that growth meant increasing calls on working capital and management resources, so it was sold to Westinghouse last month.

As a result net bank borrowings fell from £7.4m to £3.2m and gearing from 70 per cent to 33 per cent.

Losses per share were 0.08p (4.9p). There is no interim dividend; *last year it was 1p* but the final was passed.

## Net assets drop at Glasgow Income Tst

Glasgow Income Trust had a net asset value of 36.05p per share at September 30 – down 26 per cent on the 47.32p of 12 months earlier.

Net revenue amounted to £994,000 against a restated £964,000, equivalent to earnings of 3.38p (3.3p) per share.

The proposed final dividend is held at 1.4p for a maintained total of 3.2p. The directors said, however, that given a difficult investment background it was unlikely that the final distribution for the current year would be fully maintained.

## Navan Resources I£30,800 in the red

Navan Resources, quoted on Dublin, reported a pre-tax loss of I£30,800 (£33,700) for the year to end-March, compared with a profit of I£18,800.

Losses per share amounted to 0.41p against earnings of 0.2p.

During the year the group spent I£892,000 on mineral exploration *and development* and I£75,900 was written off.

## Liquidation for Aberfoyle Plants

Aberfoyle Plantations is going into liquidation. A petition has been put to the Court and is expected to be heard on November 30.

At present the company is in administration. However, following rejection of the proposals put to the extraordinary meeting on October 29, the administrators "had no alternative" but to request liquidation.

## Shani ahead and prospects improve

Shani Group, the USM-traded maker of womens' and childrens' fashion separates, lifted pre-tax profit by £51,000 to £1.96m in the year to July 31.

And the current year "should prove to be much better", following a good start, said Mr Martin Hollis, chairman.

The recent acquisition of the Lampert and Admyra coat and suit business complemented the existing operation and enhanced the *product range* and customer base. "It has already shown great promise", Mr Hollis stated.

The final dividend is raised to 2.8p, making the total of 4.4p (4p).

Turnover fell to £12m (£13m).

Earnings per share rose to 9.2p (8.9p).

## Rowan Dartington completes buy-out

Rowan Dartington, the Bristol-based stockbroker, has completed its management buy-out from Dartington Group.

Equity capital was provided by Singer & Friedlander, the merchant bank, and other corporate investors, with Dartington retaining a minority interest.

## Chesterfield raises £11.4m via sales

Chesterfield Properties has raised £11.4m through the sale of three properties.

It has contracted to sell two leasehold shopping centres – Angel Place, Bridgwater, and Quasar Center, Walsall – and has sold a freehold office investment in Park Place, Leeds.

The consideration was slightly above the December 1991 book value. Further sales are in progress as part of the planned programme.

## Gloomy outlook at M Currie European

Net asset value of the Martin Currie European Investment Trust was 82.6p at October 31, compared with 83.8p a year earlier and 85.1p at the April 30 year end.

Net revenue for the six months to end-October advanced from £153,000 to £174,000 for earnings per share of 0.76p (0.66p).

Sir Mark Russell, chairman, described short-term prospects as "unappetising".

## Property Partners shows 9% growth

Property Partnerships, the hotels and property group, announced a 9 per cent profits rise from £925,000 to £1.01m.

The interim dividend is raised by 0.05p to 2.55p.

Gross rental income from investment properties *improved 19 per cent in the* half-year to September 30, from £934,000 to £1.12m, and sales of hotel goods and services came to £2.24m (£2.23m).

Earnings per share worked through at 6.31p (5.76p).

## Sea Containers marginal increase

Sea Containers, the Bermudan-based marine container lessor, ferries operator and hotel owner, announced pre-tax income of $28.5m (£19m) for the quarter ended September 30, against $27.6m.

Mr James Sherwood, president, said that profits from marine container asset leasing were $10.3m, up 56 per cent. Ferries, however, fell from $24.9m to $23.6m.

Turnover was $47.7m ($40.6m). Earnings per share were 1.92 cents (1.93 cents).

The figures brought totals for the nine months to pre-tax profits of $33.3m ($33m) on turnover of $334.4m ($292.7m).

Rise to £116m midway, but rental market deteriorates

# Land Securities feels pressure

By Vanessa Houlder, Property Correspondent

LAND SECURITIES, the UK's biggest property company, yesterday announced a 4 per cent rise in pre-tax profits from £112m to £116m for the six months to September 30.

The improvement, in the face of a sharp decline in the property market, reflected the stability of Land Securities' portfolio, three quarters of which is secured by leases that expire after the year 2000, with upwards-only rent reviews.

However, profits growth is coming under pressure from the further deterioration in the rental market and the impact of interest rate cuts on earnings from cash deposits.

Mr Peter Hunt, chairman, warned that the slowdown in profits growth, highlighted by a comparison of these results with the £115.7m earned in the second half of last year, indicated "a flattening trend which will continue until such time as rental growth returns."

The board said it was concentrating on maintaining and wherever possible increasing rental income and minimising voids, irrecoverable outgoings and other costs.

Outgoings it could not recover on empty properties have risen to 3 per cent of the annual rent roll. The rental value of unlet premises within the development and refurbishment programme is now £10m, compared with over £12m in May.

Other voids, excluding vacant properties held for future development or refurbishment, had increased slightly to just over 2.5 per cent.

Earnings per share rose from 14.85p to 15.43p. The interim dividend is increased from 6p to 6.3p.

■ COMMENT

The defensive qualities that protected Land Securities' investors since the start of the property crash have stood them in less good stead over the last month. The shares underperformed the sector as the attractions of conservative management and relatively low gearing dulled in favour of cheaper and more interest rate sensitive stocks. Indeed, interest rate cuts have been positively harmful to Land Securities, which has fixed-rate debt and a substantial cash balance. This is one among several pressures on the company's income – diminishing reversionary growth, increased outgoings on empty properties and impending lease expiries, especially in the London market. But the security of the company's dividend is reassuring at a time of widespread dividend cuts in the sector - even though this dividend increase is the first below 10 per cent for the past 14 years. A prospective dividend yield of 7¾ per cent provides support for the shares, although on the basis of full-year net asset forecasts of between £4.70 and £5, the shares at 432p are on a tight discount.

## Asda chief says halcyon days are over

By Maggie Urry

MR ARCHIE Norman, chief executive of Asda, the food retailer, said yesterday the industry was set for a less profitable future, after the golden age of the last five years.

Addressing the Marketing Society, he said last year was the *annum mirabilis* for grocery retailers when profits exploded. However, the industry now faced "saturation."

Mr Norman, who joined Asda 11 months ago from Kingfisher, the non-food retail conglomerate, where he was finance director, said that as a newcomer to the industry "it is hard to understand why people believe the current situation is sustainable". But he said "the halcyon days are over".

Lower inflation, slower growth in demand and "dog eats dog expansion" were now affecting food retailers. Discount retailers were "only at the first stage of development" in Britain.

In his first public speech about how Asda is being revamped, he said the chain was being recreated as a retail brand. Asda would aim to meet the needs of ordinary working people who demand value.

# Unigate declines to £42m

By Maggie Urry

THE UK recession's impact on the food industry hit Unigate's first-half profits which fell from £43.3m to £42m at the pre-tax level.

However, the group expects to maintain profits for the full year at about the £92.9m reported for the fullyear.

A slightly lower tax rate meant earnings per share dipped to 12.6p (12.7p). The interim dividend is held at 5.7p.

Mr Ross Buckland, chief executive, said he was concerned about the future of the milk industry in the UK. The Milk Marketing Board is to be abolished, and Mr Buckland said that whatever replaced it should not be allowed to become a non-statutory, unregulated, monopoly.

Sales were 2.4 per cent higher at £968.7m but a squeeze on margins cut operating profits to £39m (£43.3m). Mr Buckland said that extra advertising and promotion to support the group's brands had cost £3m in the half.

Associated company income rose from £5.9m to £7.7m, as the group's stake in Nutricia, the Dutch food business, was increased from 30 to 33 per cent and its profits rose 12 per cent.

Interest fell from £8m to £4.7m, despite a higher level of debt of £135.3m (£139m) at September 30. This is a seasonal peak, and borrowings are expected to fall by the year-end, helped by the receipt of £76m (£50m) from the sale of the US cheese business.

Operating profits from UK dairy activities fell from £13.3m to £12.4m. Unigate has given up some supermarket business where prices were too low.

Fresh foods, such as cheese and dairy desserts, saw profits down from £10.9m to £7.3m. The meat companies suffered a drop from £2.6m to £300,000 as higher pig prices hit the bacon side.

The US restaurant chains increased profits from £7.4m to £8.4m, while the Wincanton distribution side rose from £5.4m to £7.3m. Vehicle sales profits rose to £2.6m (£1.7m).

Trevor Humphries

Ross Buckland (left) with Sir Brian Kellett, chairman

■ COMMENT

Unigate's policy of concentrating on its food activities may look odd in a period when its non-food side produced nearly all the growth. But in the longer term it should prove the right strategy so long as new management can improve the margins. Its refusal to supply supermarkets with milk at unprofitable prices is some encouragement, though it assumes that other suppliers will be shaken out. In other areas though, margins have clearly been sacrificed. Assuming Unigate can reach last year's profits, the prospective p/e of 10.5 is still below the market, while the yield on a maintained dividend is just above base rate. The shares are worth hanging on to.

# Tomkins' offer boost after RHM profit fall

By Richard Gourlay

RANKS HOVIS McDougall, the milling, baking and grocery products group, yesterday confirmed the slide in profits that has led to its board recommending a £935m offer from Tomkins, the UK conglomerate.

In what seems likely to be its last results statement, RHM said pre-tax profits in the year to September 5 had fallen from £150.2m to £92.6m on sales of £1.56bn.

The figures were broadly in line with expectations, although the decline in the Manor Bakeries business was worse than expected while grocery products produced a marginally larger increase in profits than forecast.

RHM brought forward its results as Tomkins' share price continued a recent drift, ending yesterday down 2p at 206p.

The price is now only 6p above the 200p price at which Tomkins is planning to fund part of the acquisition through a £653m rights issue.

With 11 days to go before the November 30 deadline for acceptance of the first instalment of the rights issue, City observers expect the size of this premium to be carefully monitored.

The rights issue has been fully underwritten. But a widespread decision by shareholders to ignore the rights would leave the share registry with the wrong composition of shareholders. This could lead to a price-depressing hangover of Tomkins shares in the market.

In meetings with fund managers and City analysts, Mr Greg Hutchings, Tomkins chief executive, has stressed new management can enhance earnings and limit downside risk.

The message institutions are hearing is that the milling and bread baking side, where RHM yesterday said profits had fallen from £59.5m to £30.3m in the last year, is only one area where a turnround can be achieved.

There is potential to reverse the decline in profits in the US - where RHM said yesterday profits fell from £13.7m to £3.1m as a result "of the recession and abnormal crop conditions for peanuts and tomatoes". RHM said a capital investment programme was nearing completion and "profitable progress should be resumed shortly."

There was also more potential from the grocery division, where profits rose from £35.4m to £39.9m. Manor Bakeries also had potential after last year's fall in profits from £18.5m to £10.9m.

Hauling the UK baking division out of loss remains a priority.

According to one City observer, Mr Hutchings made headway in convincing the City of the deal's logic after the frosty earlier reception.

The City was uncertain whether the downward rating of Tomkins shares reflected a new view of the company. Since the bid, Tomkins shares have fallen 21 per cent, or from a 35 per cent premium to the market's prospective p/e ratio to a 6 per cent premium.

# Courtaulds dips to £89m

By Paul Abrahams

COURTAULDS, the specialist materials group reported pre-tax profits down 9 per cent from £97.7m to £88.8m for the six months to September 30.

Mr Sipko Huismans, chief executive, said he was pleased sales had increased from £968m to £975.9m given the depressed state of most of the group's markets.

He refused to predict if trading would improve. He said: "I don't mind being wrong, I just hate being laughed at. However, my chemicals friends say October was a significantly better month, and that the trend continued in November."

He was optimistic about prospects for fibres, films and chemicals. The stronger dollar would help, although benefits would be partly off-set by a higher dollar interest billThe group has $665m (£440m) of dollar debt.

The results benefited £9.1m from a pensions surplus. Mr Michael Pragnell, finance director, said the average tax charge was 17 against 19.7 per cent and was unlikely to rise above 22 per cent during the full year. Earnings fell 5 per cent to 18.3p (19.3p). The figures were compiled according to the new FRS3 standard.

The results were hit by the weakness of the dollar. As much as 60 per cent of group turnover is in the US, or dollar-denominated. Pricing pressure had meant operating rates had been poor, with about 10 per cent of fibre capacity standing idle during the summer. "July and August were pretty bloody," said Mr Huismans.

North American operations performed poorly. Trading profits fell 32 per cent from £37m to £25m on turnover of £268m (£286m). Sales there had been hit by the poor performances by the aerospace, viscose and coatings businesses.

Mr Huismans said: "Aerospace is in dead trouble. We've been doing a lot of cost-cutting. In spite of its present difficulties we see aerospace as an absolute core business."

European operating profits increased 11 per cent from £47m to £52m on sales of £598m (£562m). Mr Huismans said the improvement was mainly due to better results from Cellophane and Acrylics.

Asian Pacific profits rose 9 per cent from £11m to £12m on turnover down 4 per cent from £104m to £100m.

UK operating profits rose 5 per cent from £39m to £41m on turnover down 4 per cent at £381m (£395m). Margins were helped by the closure of the Barrow plant.

Coatings operating profits were £27m (£28m) on sales of £344m (£343m). Performance materials profits were £7m (£9m) on turnover of £94m (£95m). Packaging profits reached £13m (£11m) on sales of £125m (£120m). Chemicals were £19m (£18m) on turnover of £108m (£112m). Fibres and films profits were £31m (£35m) on sales of £323m (£318m).

Costs had been held back through 875 jobs lost since March. Mr Huismans said a larger number would go next year. The interim dividend is increased 4 per cent to 3.8p per share (3.65p).

See Lex

# Willis Corroon tumbles to £61m

By Richard Lapper

RECESSION IN the UK and the continuing weakness of the US insurance market again depressed profit growth at Willis Corroon.

The UK's largest insurance broker yesterday reported a sharp fall in pre-tax profits from £89m to £60.9m for the nine months to September 30 1992.

Turnover from broking activities rose marginally to £460.3m (£457.9m), with growth in new business offset by a decline in premium rates in the US and the UK downturn.

Income from the underwriting subsidiaries fell to £36m (£46.9m), while interest and investment income fell to £39.8m (£52m).

Losses from Hurricane Andrew, which caused widespread damage in parts of Florida and Louisiana in August, could lead to increases in US premium rates.

Mr Roger Elliott, executive chairman, was cautious about prospects. He said that "for the moment rates remain depressed and, coupled with the normal seasonal pattern of our business, mean that in the last quarter of this year we are likely at best to break even."

Expenses rose to £419.1m (£389.5m), but only by 3 per cent on an underlying basis, largely reflecting the cost of new start-up operations in Europe and North America. Mr Elliott said the figures for brokerage left out earnings from many of these new acquisitions in the last 18 months.

"These are generating business for the group, revenues from which will appear increasingly in our results from 1992 and beyond," he added.

Claims from underwriting activities fell to £16.8m (£28.4m).

Associated undertakings produced profits of £4.5m (£4.2m), while interest payable rose to £4m (£3.1m).

# FT-SE Actuaries Share Indices

*The FT-SE Actuaries Indices Steering Committee yesterday issued its first statement. Extracts follow:*

THE FIRST meeting of the new FT-SE Actuaries Indices Steering Committee chaired by Donald Brydon, chairman of BZW Investment Management, was held on November 18.

The meeting was to set up the practitioner committees responsible for the management of the FT-SE Actuaries Share Indices and to adopt the Ground Rules governing the new series of UK indices.

The Steering Committee adopted the Ground Rules for the management of the indices and set up a review of the existing FT-Actuaries and Stock Exchange classification system.

The Steering Committee wants to see a standard method established for calculating total returns, and has asked the Institute and the Faculty of Actuaries, together with Keith Percy, chief executive of Morgan Grenfell Asset Management, to make proposals to achieve this.

The FT-SE Actuaries Share Indices consist of the FT-SE 100, FT-SE Mid 250, FT-SE Actuaries 350, FT-SE Actuaries 350 Industry Baskets, FT-SE SmallCap, FT-Actuaries All-Share, FT-SE Eurotrack and FT-SE Eurotrack 200.

The FT-SE Mid 250, FT-SE Actuaries 350 and Industry Baskets were introduced on October 12 1992.

The FT-SE SmallCap will be introduced from December 31, when the FT-Actuaries All-Share will be extended.

The constituents to be included in the FT-SE SmallCap and the extended All-Share will be approved by the FT-SE Actuaries UK Indices Committee on December 3.

The new practitioner committees wil take effect from January 3 next year.

## Hoars win victory at Hoskins meeting

Shareholders in Hoskins Brewery, the Leicester-based real ale brewer, voted by an overwhelming majority to retain Mr Barrie Hoar as chairman, and his brother Robert as a director of the company, writes Philip Rawstorne.

Resolutions to dismiss them at an extraordinary meeting were defeated by a 68 per cent majority.

The meeting had been called by dissident shareholders led by Mr Richard Cattermole.

Mr Barrie Hoar said yesterday: "We greatly regret the waste of time and effort that this episode has cost the company and shareholders."

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Anglian Group | int | 3.7 | Feb 18 | - | - | - |
| Courtaulds | int | 3.8 | Jan 28 | 3.65 | - | 13 |
| Drayton Blue | int | 2.905 | Jan 11 | 2.905 | - | 8.4 |
| Glasgow Inc Tst | fin | 1.4 | Feb 26 | 1.4 | 3.2 | 3.2 |
| Jerome (S) | int | nil | - | 1 | - | 1 |
| Land Securities | int | 6.3 | - | 6 | - | 21.75 |
| M&G Income | int | 1.3875‡ | Jan 20 | - | 4.9125 | - |
| M&G Recovery | int | 0.85☆ | Dec 11 | - | - | - |
| PowerGen | int | 3.35 | Mar 26 | 3.05 | - | 9.25 |
| Property Patner' | int | 2.55 | Jan 13 | 2.5 | - | 7 |
| Shani § | fin | 2.8 | Jan 14 | 2.4 | 4.4 | 4 |
| Sidlaw | fin | 6.25† | Feb 5 | 5.7 | 10 | 9 |
| Unigate | int | 5.7 | Jan 6 | 5.7 | - | 15.3 |
| Whitbread | int | 4.75 | Jan 8 | 4.55 | - | 16.95 |
| Willis Corroon | int | 3.3‡ | Jan 4 | 3.3 | - | 13.2 |
| Young & Co's | int | 7 | Dec 18 | 7 | - | 14.5 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Maintains 9p so far. ‡Fourth interim. ☆Second interim making 1.7p to date.

# Balterley false accounts prompt fears

## Jane Fuller reports on a crop of questions being levelled at Spring Ram

EVEN THE most bullish of analysts following Spring Ram Corporation, the recession-defying kitchens and bathrooms group, admits that the recent episode of false accounting at its Balterley Bathrooms subsidiary raises a number of urgent questions.

The questions are being asked of a group that has been one of the outstanding success stories of the past decade, including defying the recession with pre-tax profit growth of 25 per cent last year.

From its foundation in 1979, Spring Ram built annual sales to £194.2m in 1991 and pre-tax profit to £37.6m. After flotation in 1983, its market value grew from £11m to £651m in May this year.

Even after the punishment delivered to the share price by the Balterley revelation, the market value is about £390m and it remains well within the top 350 on the stock exchange.

The group has grown organically by building state-of-the art factories on its greenfield sites – all financed from its own resources. Last December it had about £45m cash, part of which is going towards the latest wave of capital spending.

It is still headed by one of the co-founders, Mr Bill Rooney. The other, Mr Bob Murray, resigned in 1990.

Strong on marketing, Spring Ram has been much less outgoing when it comes to breaking down its figures. Some analysts have questioned its accounting for such items as stock, depreciation and government grants.

Likewise its success in motivating the entrepreneurs who run its mushrooming subsidiaries has a questionable side: the pressure on them to meet ambitious targets is intense.

*The disclosure of financial irregularities at Balterley Bathrooms – tucked away in a press announcement about an acquisition – wiped nearly £160m off Spring Ram's market value on November 6.*

Balterley, acquired in late 1986, lies in Stoke-on-Trent and is comparatively remote from the Leeds-based group's other operations. Although its annual sales amounted to only £10m, profits have been overstated by up to £5.6m. Mr Stuart Greenwood, Spring Ram's finance director, says the problem dates back three years, but mostly relates to last year.

Balterley appeared to be making "gross margins of more than 50 per cent and pre-tax margins of more than 30 per cent". In fact, it fell into losses last year as "the pricing policy was wrong". Mr Greenwood describes three areas of false accounting: the value of closing stock was inflated to increase the gross profit; the number of items in stock was overstated; and sales were pushed up by ignoring returns from distributors.

Mr Terry Henshall, Balterley's finance director, has been dismissed. Spring Ram stressed there was no element of personal gain. He was acting on an order from the board to build up actual stocks substantially – "the guy's inflation satisfied a pre-determined requirement," Mr Greenwood says.

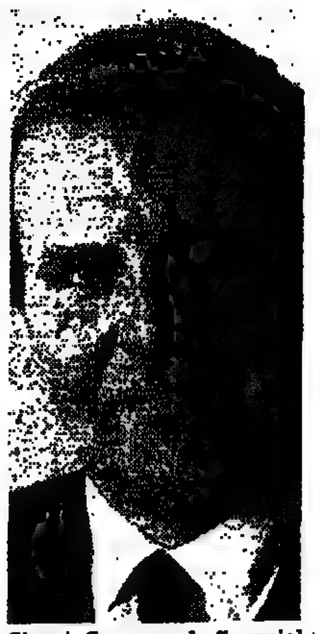
The problem came to light during the audit of the 1991 figures by Arthur Andersen. About £2.1m was deducted from Balterley's contribution to group profits. Up to £3.5m more will be taken as an exceptional charge in this year's accounts.

Against this background, Balterley raises the following questions:

**Why was the problem not disclosed sooner?**

It was discovered before the full-year results were announced on March 23, but not mentioned either with these figures or with the 1992 interims released on September 24. It was thought that the correct numbers had been published in the 1991 accounts. Mr Greenwood likens the adjustment between the internal and the published accounts to a typist accidently adding an extra zero to a figure, which was then corrected.

When it was realised in May that the correction had been inadequate, the issue of disclosure was mentioned at a meeting with the group's solicitors, Simpson Curtis of Leeds. At that stage it was decided it was too early to announce because the extent of the problem was not known.



Stuart Greenwood: financial controls have been tightened

Arthur Andersen, the auditors, were sent back to investigate. The final report is awaited.

During the summer, a variety of bearish rumours circulated and the share price fell from 181p to 104p. The rumours included that the auditors were investigating.

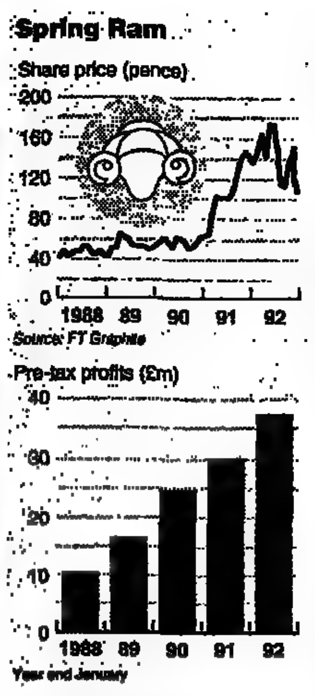
Mr Angus Phaure, building materials analyst at County NatWest, says he and a colleague rang on five occasions and were told it was not true.

Mr Greenwood says no one asked a specific question "that hit the target". He adds that it would not have been right to tell people selectively, rather than making a formal announcement.

**Should the falsification of the figures have been discovered sooner?**

Mr Greenwood started with Spring Ram early last year as its first ever group finance director. By May he felt uncomfortable with the book-keeping at Balterley. Later in the year Mr Henshall was asked to leave – but not until he had seen through the year-end management accounts.

Mr Greenwood points out that "to some extent you have to rely on the integrity of the people and the system". While



Balterley's margins were high, it was explained in terms of the substantial premiums commanded by its decorative suites. Production capacity had been expanded substantially between 1988 and 1990, and it was meeting aggressively set targets.

Spring Ram's gross profit margin last year was 24 per cent and its operating margin 18 per cent. To achieve these averages the more mature subsidiaries, such as Balterley, must do substantially better to offset the small contributions, or even losses, from start-ups.

**Has financial control been adequate?**

Spring Ram makes a virtue of the way it motivates the entrepreneurs running its subsidiaries. They are expected to behave as if they owned them, meaning considerable autonomy.

The divisional structure is light and the board lean. It has five directors, but no non-executives.

Mr Greenwood says financial controls have been tightened up over the past 18 months: "We have checkers checking the checkers. I don't think we would be conned for long now."

As for the pressure to meet targets: "We don't shoot the messenger. The bathroom market is relatively weak and some of the numbers are below what we expected."

**Is there any cause for concern in the way the group accounts for stock?**

Take the three things that went wrong at Balterley: first sales were inflated by a failure to register returns from distributors.

Mr Greenwood says sales are counted when a customer orders and accepts the invoice: "We sometimes hold stuff for a customer, for example during a promotional period. We preload it, but they accept that it is their goods." Provisions are made, and regularly updated, for items sent back or other adjustments made by distributors.

In relation to the second problem – the inflated closing stock value – Mr Greenwood says: "There is a degree of judgment as to stock value." When looking at cost – materials, labour and attributable overheads – the last is a "grey area". Assumptions about overheads and the number of items that will be made give a figure for the overhead per unit.

"If you make more than you thought you would, it reduces the element of overhead in each unit," he says. But you only realise the benefit when you sell it.

Mr Greenwood says the calculations are reworked every month. This is the area the auditors "crawl over" because "if you get the stock value wrong, you screw the numbers up".

Third, inflation of the number of items in stock. Mr Greenwood says most subsidiaries now have stock on computer, which runs a more accurate "perpetual inventory" system, rather than leaving the count to the period end.

As Mr Greenwood attempts to be as frank as possible in answering the post-Balterley questions, the share price appears to have stabilised just above this summer's low point. At 106p last night, the group (which pays a tiny dividend) was still on a historic p/e of nearly 15, a small discount to the FT-A industrial group.

It can only rebuild its premium rating once everyone is satisfied on these questions.

# Sidlaw rises 27% on back of increased North Sea market

By Peggy Hollinger

STRONG GROWTH in services to North Sea operators helped Sidlaw, the oil services, packaging and textiles group, report a 27 per cent advance in pre-tax profits, from £8.27m to £10.5m, for the year ended September 30.

Sales improved 9 per cent to £95.5m (£84.6m).

Mr Digby Morrow, chief executive, said he was "very happy with the profits ... We are achieving what we set out to achieve".

The group had increased its share of the North Sea oil services market from 33 to 42 per cent since introducing a system called contract logistical services. This entails taking over the management of the supply chain to North Sea operators.

Stronger market share and a contract with BP were the main reasons for an increase in oil services operating profits from £5.1m to £6.7m.

The joint venture announced in the spring with Smit, the Dutch support vessel operator, had already acquired two companies. However, Mr Morrow said the venture – designed to sell CLS in the international arena – was expected to cost money in the current year. It was not likely to make "serious" profits until 1995, he said.

Sidlaw experienced a good return from packaging, which saw trading profits advance by 24 per cent to £4.2m. Margins benefited from lower polymer prices and a £250,000 gain on the sale of a printing machine.

Mr Ian Bodie, finance director, said without those two factors margins had actually declined slightly during the year. However, the division was expected to benefit from record levels of capital expenditure. During the year, Sidlaw spent about £3m on packaging plant and a further £5.25m to acquire Falcon Packaging.

Capital expenditure for the group as a whole came to £5.4m against £3.2m last time.

Textiles continued to face difficulties, especially in the sale of jute yarn. However, an increase in synthetic yarns largely offset the decline. Redundancy costs of £300,000 helped to depress the operating return to £800,000.

Mr Morrow was optimistic about current trading, especially for the oil services division. However, he added the caveat that packaging and textiles were less predictable because of their greater dependence on the UK economy.

The final dividend is increased to 6.25p for a total of 10p (9p). Earnings per share, based on a higher tax charge, advanced to 22p (16.1p).

# YJ Lovell gets extension of loan agreement

YJ Lovell, the UK housebuilder and property developer, has negotiated a three year loan agreement with its bankers, writes Andrew Taylor.

Mr Robert Sellier, chief executive, said: "The banks have shown their confidence in the long term future of the group. I am very grateful for the support and advice they have given during this prolonged period of difficult trading."

In February Lovell announced it had renegotiated a 12 month loan arrangement after it breached loan covenants linked to its net worth and interest cover.

*The deal extends the loan* agreement until December 31 1995. Mr Sellier said that the banks, led by Barclays, had treated the group very fairly.

Lovell reported net debt of £111m at September 30 1991, including £40m off-balance sheet finance. That compared with shareholders' funds of about £70m.

Borrowings are understood to have reduced during the past year following costs cut and restructured finances.

# Usher-Walker agrees £15m Sun Chemical bid

By Matthew Curtin

USHER-WALKER, the manufacturer and distributor of printing inks, yesterday announced agreement on terms of a £14.8m takeover by Sun Chemical, the UK subsidiary of Sun Chemical Corporation, a US manufacturer of graphic arts products.

Usher-Walker's board has recommended that shareholders accept Sun's 167¼p per share cash offer, which carries a loan note alternative.

The offer is more than double the share price of 81p on Tuesday when the company's market value stood at £7.1m.

Upon the offer becoming unconditional, holders of preference shares would be offered 80p cash for each 3.5 per cent cumulative preference share, valuing the preference share capital at £80,000.

Usher-Walker shares jumped to 165p yesterday, before falling to 161p at the close.

Mr Edward Barr, group president and chief executive officer, said both parties, which had enjoyed a good relationship for some time, believed the market had been "sending the wrong signals" about the fundamental strength of Usher-Walker's business.

"Usher-Walker is a fine well-respected, well-managed business ... By working together Sun believes it can win a good return on its investment."

New Jersey-based Sun has operations in North and South America as well as in Europe, and is affiliated to Dainippon Ink & Chemicals, the Japanese diversified chemicals group.

Usher-Walker's profit faded from £217,000 to £9,000 before tax in the half-year to June 30 under pressure from *restructuring and redundancy* costs, which amounted to £143,000, as well as tightening margins.

Falling newspaper advertising has reduced demand for black newspaper ink, Usher-Walker's main revenue earner.

Sun plans to keep Usher-Walker as a separate company, with its management intact.

It plans to dispose of Surface Flatness, a printing plates producer bought by Usher-Walker in September last year.

## COMMODITIES AND AGRICULTURE

# Metal price slump cuts exploration budgets by $96m

By Kenneth Gooding, Mining Correspondent

MINING COMPANIES are making severe cuts in their exploration budgets to save cash at a time of low metal prices and gold exploration is suffering most of all.

The western world's big mining groups will spend about $96.4m less on exploration this year than they did in 1991 – which itself showed a $122.8m decrease on the previous year – according to Metal Economics Group, a Canadian research organisation.

It says in a new report that gold this year is attracting $839m or 52 per cent of total spending by the 158 companies that provided this information. This is down from more than $1bn or 56 per cent of the total in 1991. In 1989, when the gold price was much higher than at present, gold exploration spending at $1.2bn reached 68 per cent of the total.

On the other hand, says MEG, budget shares devoted to base metals exploration have increased steadily during the past few years. Base metals and/or polymetallics programmes are attracting $525m this year, or 32.6 per cent of the surveyed total, compared with $576m in 1991, or 31 per cent, and only $305m or 18 per cent in 1989.

Expenditures for other metals and minerals – primarily diamonds, titanium-bearing and other industrial minerals and platinum – are also rising, with $248m being spent this year (15.4 per cent of the surveyed total) compared with $242m or 13 per cent last year.

The exploration budgets of the 161 companies world-wide that were surveyed total $1.7bn. The US still attracts most of the spending, taking 21.4 per cent, followed by Australia (19.1 per cent), Canada (17.8 per cent) and Latin America (15.1 per cent).

Mining companies' growing interest in Latin America is reflected in the fact that exploration expenditure there is scheduled to rise by 28 per cent this year. Spending in the US is up by 6.5 per cent but it is down in Canada and in Australia by 30 per cent and 8 per cent respectively.

Eleven companies in the RTZ Group, the world's biggest mining company, are spending about $209m, according to MEG's calculations. The seven companies in the Anglo American Corporation of South Africa group, RTZ's biggest rival, are spending a combined $208.4m.

*Corporate Exploration Strategies: a worldwide analysis, US$6,750 from Metals Economics Group, PO Box 2206, Halifax, Nova Scotia, Canada B3J 3C4.*

# High costs force CIS farmers out of business

AGRICULTURAL REFORMS are faltering in Russia and elsewhere in the Commonwealth of Independent States as higher prices and mounting shortages put the new private farming sector under pressure, reports Reuter from Moscow.

Russian officials at a Moscow grains conference said farmers breaking away from the state sector faced daunting problems.

"Many farms cannot compete in the current economic situation, with mounting inflation and many barriers to development," said Mr Leonid Vashukov, head of the food and agriculture section of the CIS Statistics Committee. He reported that more than 3,000 new private farms had folded.

Russia announced plans last year to dismantle unprofitable collective farms and give farmers rights to buy and sell land. Other former Soviet republics launched similar programmes, aiming to curb the role of big state agrobusinesses blamed for decades of food shortages and crippling import bills.

Mr Vashukov said sharply higher prices for equipment and fertilisers had made life tough for the new private sector. Prices for some equipment were currently 20 times higher than at the start of the year.

Delegates from other republics attending the grains conference, organised by US grain exporters and Russia's Exportkhleb, stressed the need to become self-sufficient in grain production.

But for the moment many countries would need to import grain, either on world markets, or from Kazakhstan, which this year reported a record harvest of 32m tonnes, Exportkhleb official Ms Svetlana Malshina told the conference.

She put the 1992-93 CIS harvest at 182.4m tonnes, up 20 per cent from last year but a little below the 185m tonnes estimated by Mr Vashukov.

# CAP reform 'shock to corporate farming'

By David Blackwell

THE REFORM of the European Community's common agricultural policy had "induced a shock to the corporate farming system," the fifth annual conference of Food from Britain, the government-backed promotional body, was told in London yesterday.

But the many inconsistencies and escalating costs of the CAP could be expected to lead to further, probably more radical, reforms later in the decade, Mr Edward Robinson, a director of the Booker food and farming group, predicted. The squeeze on farm incomes would continue "with increased severity", farm employment would continue to decline, and competitive pressures would continue unabated.

"This prospect will in itself foster a climate of continuing uncertainty with which agriculture, and by implication, other parts of the food chain will have to live for some years to come."

Mr Robinson was particularly critical of EC's plan to set aside 15 per cent of cereal growing land next year. This would cut profits at Booker Farming – which manages 27,000 acres of mainly arable crops – by up to £400,000 a year.

Cereal production could be expected to continue rising, he said. Set-aside applies only to farmers with a production potential of more than 92 tonnes. In the UK this would affect 54 per cent of farms. But in Greece, Italy, Spain and Portugal 95 per cent or more of cereal farmers would be exempt, while 80 per cent would be exempt in Belgium, Germany, Luxembourg and Holland, and 70 per cent in France.

"Clearly there is no incentive for the community's predominantly small farmers to reduce output," Mr Robinson said. Last year EC output rose by 6 per cent to 167.5m tonnes, with Greece accounting for 35 per cent of the rise, Portugal 26 per cent, Italy and Ireland 10 per cent, and France 8 per cent.

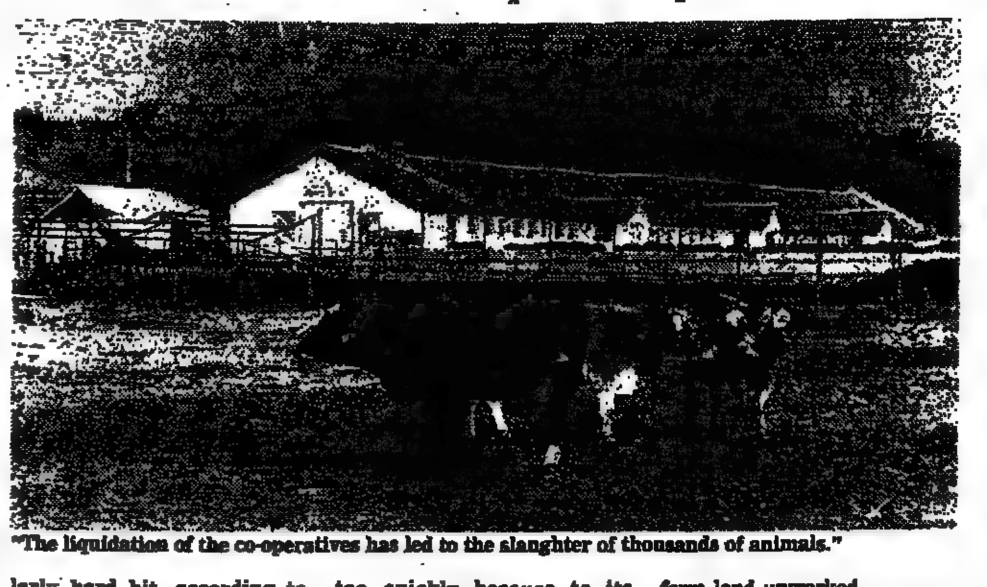
The UK was responsible for just 0.5 per cent.

"The reality is, of course, that important elements of agricultural reform are being driven by social policy rather than by economic consideration," said Mr Robinson.

● Mr John Gummer, Agriculture Minister, yesterday announced a scheme implementing EC regulations to register traditional, regional and speciality foods from the UK.

# Bulgarian farming's post-communist crisis

## Production has plummeted after the break-up of co-operatives, writes Virginia Marsh



"The liquidation of the co-operatives has led to the slaughter of thousands of animals."

SENIOR EUROPEAN Community officials flew into Sofia last weekend in an effort to keep talks on Bulgaria's EC association agreement afloat after negotiations last week foundered once again, chiefly over access for Bulgarian agricultural products to community markets.

Bulgaria is determined to receive the same treatment as Czechoslovakia, Hungary and Poland, which concluded association agreements last year, and is also asking that wine, its number one agricultural export, be included in the terms.

The urgent need for new markets is a prime reason for Bulgaria's strong stand in the EC talks. The country was heavily dependent on the now collapsed Soviet market, which accounted for about 65 per cent of its agricultural exports in the 1980s.

Mr Rangel Trendafilov, an agro-economist who advises the Bulgarian government, believes the search for alternative markets is the sector's greatest long-term challenge.

"We need hard currency earnings but must also export because of our small domestic market, around 9m. There is little incentive to increase productivity if there is nowhere to send our goods."

However, in the short term, the sector faces more pressing problems while farmers struggle to set up on their own now that most state co-operatives, which controlled agriculture in the communist period, have been dismantled.

Production has plummeted since 1989 with grain, maize, tobacco and sugar beet particularly hard hit, according to Ministry of Agriculture figures. The grain harvest has fallen from 10.2m tonnes in 1980 to an estimated 7.1m tonnes this year, while the sugar beet crop has dropped from 1.6m tonnes to an estimated 400,000 tonnes, sufficient to meet only 10 per cent of domestic demand.

Nor are prospects for 1993 much better with autumn plantings well down on last year and continuing shortages of seed and fertilisers.

Land reform, which has become a sensitive political issue, is a central problem. The socialists, the main opposition party, charge that the government, an anti-communist alliance, has put property restitution above all else.

They believe the government, acting through so-called "liquidation committees", broke up the co-operatives far too quickly because to its desire to return land to private ownership. Worse still, they say, the government had no new strategy to replace the old system, often with serious consequences.

"In my constituency, which had a stock-breeding industry, the liquidation of the co-operatives has led to the slaughter of thousands of animals," says Ms Elena Poptodorova, a socialists MP. "Those which survived were given to private households where there is no possibility for scientifically-controlled breeding. This policy has destroyed the genetic stocks which our scientists have been building up for years."

Moreover, while co-operatives have been disbanded, by the end of October only about 24 per cent of land had been redistributed, leaving much farm land unworked.

Agriculture has also been set back by the division of land into small units. The land law allows for restitution up to 30 hectares (74 acres) per person but, according to Mr Trendafilov, there are relatively few claims of this size. Apart from in Dobrudga, a wheat region next to the Danube, small holdings, rarely more than five hectares, predominated in pre-communist Bulgaria.

In addition, where there was previously one owner, there might now be several descendants, all with claims, leading to even smaller parcels of land.

New landowners also face difficulties in raising capital to buy machinery, seed or fertiliser, previously provided by the co-operative. Houses can be used as collateral but with the base rate at 41 per cent, few can afford loans.

The situation worries agro-economists and scientists, who fear much of the progress of the past two decades is under threat. "Our intellectual and cultural attitude to agriculture is going backwards – it has become less scientific," says Ms Slavka Bahchevanova, director of a small research institute in Sandanski, a tobacco and wine producing region in south west Bulgaria, close to the Greek border.

With unemployment rising, especially in industry, many new landowners have moved back to the countryside. Most are unskilled workers with little practical experience of farming, she says. "People aim to survive by living off the land and perhaps have a little left over to sell in local markets."

With such a system, Bulgaria is likely to have difficulty in reviving exports or sustaining profitable related industries such as wine and cigarette manufacturing.

Vinprom, Sandanski's local state-owned wine company, could only find five thousand tonnes of grapes to purchase this year, compared to 25 thousand tonnes two years ago, and had to resort to selling stocks to meet demand.

Agricultural workers in Sandanski, disappointed by the parliamentary groups, are putting their support behind a recently formed union of agrarian parties.

"We are looking for new markets," a manager at Vinprom says,"but first, we need clearer government policies so that we can maintain output and preserve the quality of our products."

# Freeport plans Spanish copper expansion

By Kenneth Gooding, Mining Correspondent

FREEPORT-MCMORAN, the US natural resources group, plans to expand capacity at the Huelva copper smelter in Spain by nearly half if its negotiations to buy the plant succeed.

Huelva's capacity would be boosted from about 90,000 tonnes to 130,000 tonnes a year, says Mr James Moffett, Freeport's chairman. This would enable the Spanish smelter to treat more copper concentrate (an intermediate product) from Freeport's rapidly-growing copper-gold mine in Indonesia.

Freeport is also involved in a project to build a 150,000-tonne copper smelter in Indonesia, of which Metallgesellschaft of Germany would be the majority shareholder and operator.

However, Freeport would supply only half the Indonesian smelter's concentrate and would welcome some more "captive" smelting capacity.

The Huelva smelter is owned by Rio Tinto Minera, a wholly-owned subsidiary of Ercros, the troubled industrial group 39-per-cent owned by the Kuwait Investment Office's Spanish holding company.

Freeport has been negotiating since April to buy RTM and Ercros's loss-making fertiliser operation, Fesa-Enfersa. Management changes at Ercros and the KIO have delayed negotiations but Mr Moffett says Freeport is still very interested and still talking to Ercros. He insists, however: "We won't buy the assets unless the old losses are dealt with by the people in charge when those losses were made".

Some analysts suggest Mr Moffett is unlikely to be able to work out a deal because Ercros's banks would have to forgive most of its debts and there are great difficulties over Ercros's under-funded pension scheme. Meanwhile, the KIO has left Ercros to sink or swim on its own and is unlikely to offer Freeport any guarantees on behalf of its associate.

Freeport's 74-per-cent-owned subsidiary, Freeport-McMoRan Copper and Gold, is continuing to explore in Indonesia in an area where it already has, in the Grasberg mine, the western world's fifth-largest open pit copper reserve and the biggest single gold mine reserve. The company expects to sell 650m lb of copper and 630,000 troy ounces of gold this year.

Expansion of mining and milling facilities in Indonesia to 57,000 tonnes a day has only recently been completed but Freeport is spending US$90m to boost output to 66,000 tonnes a day by the middle of next year. A further expansion to 90,000 tonnes a day, costing $545m, is expected to be completed by mid-1996, enabling Freeport to produce about 1bn lb of copper a year plus 1.2m to 1.5m ounces of gold.

Mr Moffett says the $450m finance for the Indonesian smelter, in which Metallgesellschaft is expected to take 55 per cent, and Freeport and Nippon Mining about 20 per cent each, is virtually completed.

The smelter will be located at Gresik, near the port of Surabaya, where the Indonesian government has a large fertiliser production complex. Mr Moffett says that $50m was lopped off the smelter's cost by the choice of site and sulphuric acid generated by the smelter will replace 150,000 tonnes of sulphur at present imported for fertiliser production.

# US company in Trinidad gas deal

By Canute James in Kingston

A US company, Enron Oil and Gas of Texas, has joined a state-owned consortium in Trinidad and Tobago to invest US$250m over five years to develop natural gas fields and produce gas off Trinidad's south-east coast.

The company, through a wholly-owned local subsidiary, is making an initial investment of $50m in partnership with the South East Coast Consortium which is made up of Trintoc, Trintopec and the National Gas Company.

Enron's investment represents 95 per cent of the financing. It will develop three offshore fields, the first scheduled to start production by November 1993 at 50m cubic feet a day. Output will reach 150m cu ft a day when the three wells are on stream by 1997.

## WORLD COMMODITIES PRICES

### MARKET REPORT

London's robusta COFFEE market came under further pressure from hedge selling and profit taking after the recent climb to nine-month highs. There are signs of light origin sales beginning to emerge, with Uganda and Indonesia seen as possibly taking advantage of the recent rise in prices. New York arabicas were also lower at midday. Analysts said trade talk in Colombia that Marxist guerrillas had shot dead a partner in a leading coffee transportation firm had little impact on dealings. One trader said that rebel actions would have to be prolonged for exports to be strongly affected. BASE METAL prices continued to move higher on the LME, with ALUMINIUM particularly firm. Dealers said the overall trend reflected another technical reaction, with prices largely holding above downside support levels last week. Aluminium was again underpinned by nervousness over the possibility of stoppages at Pechiney and production cuts of around 100,000 tonnes.

Compiled from Reuters

### London Markets

SPOT MARKETS

| Crude oil (per barrel FOB)(Jan) | | + or - |
|---|---|---|
| Dubai | $16.95-7.00u | -0.20 |
| Brent Blend (dated) | $19.05-9.15 | -0.05 |
| Brent Blend (Jan) | $19.05-9.10 | -0.10 |
| W.T.I (1 pm est) | $20.15-0.25u | -.075 |

Oil products (NWE prompt delivery per tonne CIF)

SUGAR – London FOX ($ per tonne)

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 196.00 | 198.00 | 195.60 198.00 |
| Mar | 193.50 | 195.00 | 194.60 |
| May | 187.00 | 187.00 | 186.60 |
| White | Close | Previous | High/Low |
| Mar | 257.50 | [illegible] | 257.50 256.80 |
| May | 260.00 | 260.00 | 260.00 259.00 |
| Oct | 253.50 | | 254.00 253.00 |

Turnover: Raw 25 (62) lots of 50 tonnes. White 623 (977) Paris- White (FFr per tonne):

COCOA – London FOX £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 720 | 722 | 720 713 |
| Mar | 744 | 746 | 744 737 |
| May | 760 | 763 | 760 753 |
| Jul | 775 | 778 | 775 770 |
| Sep | 790 | 793 | 790 786 |
| Dec | 812 | 815 | 811 806 |
| Mar | 832 | 835 | 833 828 |
| May | 846 | | 846 842 |
| Jul | 861 | | 862 860 |
| Sep | 878 | | 880 870 |

Turnover: 9190 (6034) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 17 790.11 (800.68) 10 day average for Nov 18 777.54 (773.36)

COFFEE – London FOX $/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 923 | 928 | 930 |
| Jan | 951 | 968 | 965 947 |
| Mar | 969 | 981 | 985 966 |
| May | 963 | 971 | 976 962 |
| Jul | 970 | 981 | [illegible] |
| Sep | 995 | 995 | 995 982 |

Turnover:2895 (3392) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 17: Comp. daily 58.85 (60.37) 15 day average 58.66 (58.47)

POTATOES – London FOX £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 62.9 | 63.7 | 63.3 62.0 |
| May | 69.0 | 69.5 | [illegible] |

Turnover 101 (24) lots of 20 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| Aluminium, 99.7% purity ($ per tonne) | | | | | | Total daily turnover 16,003 lots |
| Cash | 1166-9 | 1151.5-2.5 | | 1160.5-1.5 | | |
| 3 months | 1192-3 | 1176-6.5 | 1199/1180 | 1185-5.5 | 1191-2 | 182,794 lots |
| Copper, Grade A (£ per tonne) | | | | | | Total daily turnover 21,446 lots |

HEATING OIL 42,000 US galls, cents/US galls

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 57.00 | 58.13 | 57.80 | 56.60 |
| Jan | 58.30 | 59.21 | 58.90 | 57.85 |
| Feb | 58.70 | [illegible] | 59.20 | 58.30 |
| Mar | 57.75 | 58.19 | 58.10 | 57.55 |

### New York

### Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 562/2 | 564/4 | 564/4 | 560/4 |
| Jan | 563/4 | 566/0 | 567/0 | 563/0 |

## LONDON STOCK EXCHANGE

# FT-SE Index regains the 2,700 mark

**By Terry Byland, UK Stock Market Editor**

A CALM session in UK equities suddenly sprang to life yesterday afternoon when the FT-SE Index jumped 24.8 points to regain the 2,700 mark again in response to better news on domestic retail sales, interest rate cuts in Belgium and Holland and hints that the resumed GATT talks would reach a satisfactory outcome. The upturn, which favoured consumer and retail industry stocks, was led by demand for stock index futures and by speculative excitement prompted by disclosure of a potential bid for Union Discount, once one of the monarchs of London's discount house network.

Having shown only a very modest improvement until early in the afternoon, the stock market rose sharply when the December future contract on the Footsie threw off the lethargy of the past two sessions and moved back into a substantial premium against the underlying index.

The FT-SE Index closed at 2,704, just below the day's best levels, with the December contract still showing a good premium. Trading volume increased as the market advanced to record a Seaq-reported total for the day of 551m shares against 480.4m on Tuesday.

Dealers said that turnover remained below the peak levels of recent weeks, noting that shortage of stock had been a significant factor yesterday's price gains. Retail value on Tuesday was relatively low at £816.7m.

Market strategists expressed confidence in the market's rebound which underlined London's success in resisting weakness in other global stock markets earlier this week and was unperturbed by yesterday's news that the UK government plans another sale of shares in BT, the national telecommunications network. They hope to see the Footsie challenge its all-time trading highs of around 2,744 reached in May this year.

The rise of 0.7 per cent in October domestic retail sales, showing a year on year rise of 1.8 per cent, surprised a market discouraged on Tuesday by a somewhat bearish report on the distributive trades from the Confederation of British Industry.

News of interest rate cuts in Belgium and Holland, together with suggestions that bank analysts in Germany were predicting sharp falls in Bundesbank rates as early as January, restored some of London's hopes that the next cut in UK base rates will not be long postponed. Nervousness lest the cut in base rates announced in the Autumn economic statement might prove the last for some months had unsettled the market at the beginning of the week.

Gradually, sentiment in the market turned higher after a dull start which had seen shares held back by another fall in Hong Kong equities. A lengthy list of corporate trading statements helped buttress confidence. Good results from the sector helped breweries follow the retail store groups and the banks to higher ground.

The international blue chips, restrained by an easier trend in the US dollar, and by an uncertain start to the new session in New York, achieved only relatively modest gains. However, these leading stocks later began to respond to the strength of the stock index future and also to renewed interest in prospects for ICI's plans to demerge its bio-science interests.

### TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

### Account Dealing Dates

| | | | |
|---|---|---|---|
| *First Dealings: | Nov 2 | Nov 16 | Nov 30 |
| Option Declarations: | Nov 12 | Nov 26 | Dec 10 |
| Last Dealings: | Nov 13 | Nov 27 | Dec 11 |
| Account Day: | Nov 23 | Dec 7 | Dec 21 |

*New time dealings may take place from 8.30am two business days earlier.

## Demerger appraisal curbs ICI

CHEMICALS group ICI underperformed the market ahead of publication of a weighty piece of research from Smith New Court which is expected to hit clients' desks this morning. The 90-page document assesses the value of the group in detail and concludes that the planned demerger will leave the constituent parts with a joint value of 950p a share. That estimate is significantly lower than initial forecasts when the demerger was first announced in July.

The research document values the chemicals side of the group at 380p a share and the pharmaceuticals side at 600p, giving a total capitalisation of £6.8bn. Smiths' chemicals team also believes that the demerger will have to be deferred for a year and the company will have to review its dividend policy.

Analyst Mr Charles Lambert said: "On the present evidence the demerger does not appear to offer any initial upside for shareholders." The team argues that if the demerger does go ahead the chemicals arm will offer better value than the bio-science side which will trade under the new name of Zeneca from January. The stock closed 5 higher at 1037p yesterday.

### Drama in BT

BT shares were enjoying another strong session and trading at 403p, their highest level this year, before the chancellor of the exchequer's statement in the House of Commons that the treasury intended another sale of BT shares next year.

BT shares quickly turned down when the news filtered into the market just before the close. As the session ended the stock price settled only a halfpence higher at 398p with turnover accelerating sharply to end at 8m shares.

The partly-paid shares were similarly boosted early on, touching 298p but came off equally rapidly to close the day only a penny harder at 292½p; turnover in the partly-paid was a lowly 3.6m.

The government's holding in BT amounts to 1.352bn shares, or 21.9 per cent of the equity. When it decided to sell the second tranche of BT shares in 1991 the government said it would not sell more stock until the third and final payment on the second tranche had been paid. This payment falls due on March 3 next year.

Although acknowledging that BT shares may fall in the short-term on the prospect of a flood of new shares into the market next year, specialists said there were three good reasons why BT III should go better than BT II. Firstly, after BT II there would be no overhang of government-held stock; secondly BT II was carried out under the threat of a change in government from Conservative to Labour; thirdly much of the regulatory risk is already thought to be in the price.

One caveat, however, would be the worry that overseas investors would be more wary of moving heavily into the new shares because of the currency risk inherent in investments in the UK since sterling withdrew from the Exchange Rate Mechanism.

### Thorn upset

Shares in both Thorn EMI and W H Smith were hit on recurring worries over the state of trading in the world's music business. Thorn suffered the worst, the shares off 17 at 775p, as a number of brokers took a bearish stance reflecting on new industry figures which suggested that the growth in music sales was faltering in the first three quarters of the year. Mr Jason Crisp at Strauss Turnbull said: "Thorn bought Virgin at the height of the market and paid too much for it, in what is obviously a declining market." He reinforced his sell stance and said that the shares would have to fall a further 15 per cent before being attractive.

Sentiment was little improved by speculation that sales at Our Price, the WH Smith music and video subsidiary, were weak and current trading sluggish. County NatWest cut its current year profit forecast by £5m to £105m after visiting the group and suggested that the interims in January would show a profits downturn. Smith shares retreated 5 to 453p.

Positive comments on current trading from Ladbroke to selected brokers this week sent the shares forward for a second day. They rose 5 to 153p as UBS Phillips and Drew was said to have upgraded the group and County NatWest reinforced its buy recommendation on yield and rating considerations.

### Union Discount busy

Shares in Union Discount, the discount house whose interests include Winterflood Securities, the specialist marketmaking firm, raced up 10 to 71p and prompted the group to disclose that it was involved in "very preliminary stages" of talks that could lead to a bid for the group.

The market immediately focused on Cater Allen, the second-largest of the quoted discount houses and known to have a near-three per cent holding in Union, as a potential bidder for the group. There were also suggestions that a European financial group could be interested in acquiring Union.

Cater Allen, whose shares were marginally higher at 381p, is scheduled to reveal interim figures this morning.

The BT III flotation news gave a strong push to SG Warburg, which was global co-ordinator to BT II in 1991 and is seen a strong favourite to do thesame job for the third tranche of BT.

The life issues surged ahead after strong support from one of the leading UK integrated houses, with Legal & General up 15 at 402p and Prudential 7 higher at 375p. Commercial Union's third quarter figures were well-received and saw the shares add 8 to 573p.

Willis Corroon proved a major disappointment to the market with the 32 per cent fall in nine-months profits and a very disappointing post-results meeting triggering a steep slide in the shares which eventually closed 14 off at 174p, the worst individual performance of any Footsie stock.

Tobacco and insurance group BAT Industries lifted 24 to 952p following meetings between the company and investors this week. It was also suggested that negative reaction this week to a US supreme court decision involving BAT's Brown & Williamson Tobacco Corp case might been overdone. The insurance side of BAT was further helping shares as the outlook for some insurers lightened slightly.

The world's biggest mining group RTZ Corp fell 14 to 604p on talk that a US broker had a line of stock on offer.

Wellcome was squeezed 16 higher to 998p on minimal turnover.

British Airways rebounded 13 to 261p on continuing heavy turnover of 18m shares.

The drinks sector was buoyed by a number of factors, not least of which was a relief factor from Whitbread, whose figures contained none of the feared black holes. Yesterday, they put on 11 to 432p. The sector, and the latter stock in particular, was further strengthened by news that the gaming board had increased the payout from fruit machines. Finally, the afternoon rumour that the Gatt talks had been settled gave a push to Allied Lyons, up 5 at 534p.

The retail sales figures gave a shine to selected stores and food stocks. Sainsbury gained 8½ to 457p and Tesco 8½ to 236p in continued busy turnover of 9.4m.

Publisher Reed International slipped 7 to 597p in response to a sharp fall in Elsevier on the Amsterdam stock exchange.

Ink manufacturer Usher-Walker saw its shares jump 80 to 161p after an announcement of an agreed bid by Sun Chemical Corporation.

Thames Television lifted 7 to 186p on strong rumours that an announcement about the financing for the new Channel Five would be made this week.

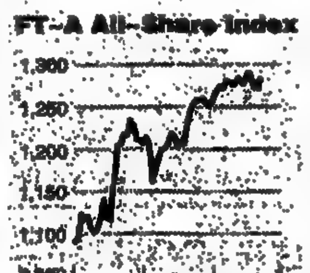
Scottish Television fell 9 to 378p with Smith New Court said to have been sellers. Smiths' media team was up in Scotland talking to institutions.

Chemicals company Courtaulds performed well after reporting half-year profits. Analysts were reassured by the cautiously optimistic statement from the company. The shares ended 19 up at 489p.

**MARKET REPORTERS:** Steve Thompson, Christopher Price, Peter John.

■ Other market statistics, Page 22

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

### NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (48). AMERICANS (3) Abbott Labs., Amer Express, Morris (Ph), BANKS (2) Mitsubishi, Standard Chartd., BUSINESS SERVICES (1) Pannes, CHEMICALS (1) Allied Colloids, ELECTRICALS (1) Siemens, ELECTRONICS (3) Bowthorpe, Mitel, GENERAL (1) Vosper, FOOD MANUFACTURING (1) Dalgety, FOOD RETAILING (2) Kwik Save, Morrison (Wm), HEALTH & HOUSEHOLD (2) Amersham, Astra AB, HOTELS & LEISURE (2) Granada 7½pc Pf., Rank Org. 8¼pc Pf., INSURANCE COMPOSITE (2) Allianz, Sun Alliance, INSURANCE LIFE (1) Transatlantic B 6pc Pf., INVESTMENT TRUSTS (10) BZW Conv., Fleming Amer., Govett Amer. Smaller Co's., Lon. Amer Venture, Merlin Intl. Green, Murray Inc. B, Murray Intl. B, Selective Assets, US Smaller Co's., Do Wts., MISCELLANEOUS (2) BAT Inds., Low, Rilwo, OTHER FINANCIAL (1) Perpetual, OTHER INDUSTRIAL MATERIALS (1) Scapa, PACKAGING, PAPER & PRINTING (1) Portals, STORES (4) Burton, Next, Storehouse, Tie Rack, TELEPHONE NETWORKS (2) BT, BT (Partly/Paid).

NEW LOWS (40). BRITISH FUNDS (1) Treas. 8pc '09 A, CANADIANS (1) Brascan, BREWERS & DISTILLERS (2) Fuller STA, Macdonald Martin A, BUILDING MATERIALS (1) Derby, BUSINESS SERVICES (2) CRT, REA, CONTRACTING & CONSTRUCTION (1) Campbell & Armstrong, ELECTRICALS (1) Kembrey, ENGINEERING GENERAL (4) Bromsgrove, Bullough, Hopkinsons, Prospect, FOOD RETAILING (1) Geest, HOTELS & LEISURE (2) Farringford, Zetters, INVESTMENT TRUSTS (4) Aberforth Smaller Co's., Abtrust Euro. Wts., Contl. Assets Wts., Drayton Eng. & Intl., MEDIA (1) Trans World Commns., METAL & METAL FORMING (1) Cohen (A), MOTORS (1) Caffyns, OIL & GAS (2) Fairhaven Intl., Presidio, OTHER INDUSTRIAL MATERIALS (3) Baynes (C), Headway, Tomkins 6¼pc Pf., PACKAGING, PAPER & PRINTING (1) Stat-Plus, PROPERTY (1) Merivale Moore, STORES (3) Cartons, Dunhill, TEXTILES (1) Pepe, MINES (7) Anglo American Gold, Durban Deep, Hartebeest, Renison, Rustenburg Plat., Western Deep, Zandpan.

### FINANCIAL TIMES EQUITY INDICES

| | Nov 18 | Nov 17 | Nov 16 | Nov 13 | Nov 12 | Year ago | High | Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 2012.2 | 1996.4 | 2004.8 | 2021.6 | 2027.3 | 1888.9 | 2149.7 | 1670.0 |
| Ord. div. yield | 4.59 | 4.62 | 4.61 | 4.57 | 4.54 | 5.18 | 5.34 | 4.24 |
| Earning yld % full | 6.49 | 6.52 | 6.45 | 6.43 | 6.38 | 7.41 | - | - |
| P/E ratio net | 19.72 | 19.53 | 19.79 | 19.83 | 19.95 | 16.86 | 20.84 | 15.79 |
| P/E ratio nil | 18.22 | 18.05 | 18.27 | 18.32 | 18.48 | 15.00 | - | - |
| Gold Mines | 66.0 | 66.9 | 66.6 | 67.1 | 67.5 | 157.8 | 160.6 | 65.0 |

*For 1992 Ordinary share Index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 1998.6 | 1993.7 | 1998.5 | 1997.6 | 1995.5 | 1997.3 | 1995.1 | 2003.1 | 2008.8 | 2013.9 | 1991.3 |

| Volume | Nov 18 | Nov 17 | Nov 16 | Nov 13 | Nov 12 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 23,598 | 23,443 | 25,917 | 34,894 | 31,219 | 24,305 |
| Equity Turnover(£m)† | - | 816.7 | 717.4 | 1169.0 | 1344.2 | 956.22 |
| Equity Bargains† | - | 26,073 | 27,588 | 38,613 | 35,173 | 23,970 |
| Shares traded (mil)† | - | 400.4 | 388.5 | 540.6 | 646.7 | 459.3 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

## EQUITY FUTURES AND OPTIONS TRADING

IN A day of contrasts, the futures market powered to a large premium in busy afternoon trading after a dull and largely negative start, writes Christopher Price.

The December FT-SE contract opened lethargically at 2,684 in quiet business. It traded at a discount to the cash market and drifted down amid concerns over Gatt and the upcoming retail sales figures.

When they arrived the figures were a pleasant surprise but they only stirred activity slightly and December traded around the 2,690-2,700 range until around 2pm.

A strong rumour then appeared in the futures market suggesting that the Gatt world trade talks had actually been settled and December was then moved smartly forward.

There was some resistance at the 2,709 level, but after this was breached, dealers reported heavy buying, which included a large programme trade.

December closed at 2,730, up 46 on the previous close and at a healthy 15-point premium to its fair value of around nine. Volume was 7,334 contracts compared with 6,165 lots previously.

In traded options, only 19,990 contracts were traded, over 8,000 of which were in the FT-SE 100. Asda topped the stock options at 1,294, followed by Rolls-Royce on 1,069, HSBC on 1,064 and British Gas with 599.

## FT-SE Actuaries Share Indices — THE UK SERIES

**FT-SE 100** 2704.0 +24.8 | **FT-SE MID 250** 2610.9 +12.9 | **FT-A ALL-SHARE** 1282.84 +10.26

| | Nov 18 | Nov 17 | Nov 16 | Nov 13 | Nov 12 | Year ago | 1992 High | 1992 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2704.0 | 2679.2 | 2679.6 | 2697.5 | 2726.4 | 2463.5 | 2737.8 | 2281.0 | 2737.8 11/5/92 | 986.9 23/7/84 |
| FT-SE Mid 250 | 2610.9 | 2598.0 | 2595.7 | 2608.9 | 2616.6 | 2440.4 | 2825.0 | 2157.8 | 2825.0 20/5/92 | 1379.4 21/1/86 |
| FT-SE-A 350 | 1308.1 | 1297.3 | 1297.2 | 1305.4 | 1317.4 | 1198.6 | 1342.7 | 1103.1 | 1342.7 11/5/92 | 664.5 14/1/86 |

| Hourly | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2679.6 | 2672.3 | 2679.2 | 2684.4 | 2681.6 | 2684.1 | 2681.3 | 2691.8 | 2706.3 | 2706.4 | 2670.7 |
| FT-SE Mid 250 | 2599.8 | 2597.5 | 2601.0 | 2604.0 | 2603.1 | 2603.0 | 2602.1 | 2603.3 | 2610.3 | 2611.0 | 2597.3 |
| FT-SE-A 350 | 1297.6 | 1294.5 | 1297.5 | 1299.9 | 1298.7 | 1299.6 | 1298.5 | 1302.7 | 1309.0 | 1309.0 | 1294.0 |

Gross dividend yield (ACT at 25%) FT-SE 100:4.46%

### FT-Actuaries All-Share

| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Index No (Wed Nov 18 1992) | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div Yield% (Act at 25%) | Est P/E Ratio (Net) | xd adj 1992 to date | Tue Nov 17 Index No | Mon Nov 16 Index No | Fri Nov 13 Index No | Year ago (approx) Index No |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (174) | 774.33 | +0.4 | 7.29 | 5.54 | 17.89 | 29.69 | 771.48 | 774.06 | 781.92 | 769.01 |
| 2 Building Materials (23) | 782.36 | +1.8 | 6.62 | 6.99 | 21.51 | 35.83 | 768.87 | 769.33 | 790.54 | 930.88 |
| 3 Contracting, Construction (26) | 671.41 | -0.1 | 4.12 | 7.38 | 65.68 | 37.36 | 672.19 | 678.82 | 686.22 | 1011.94 |
| 4 Electricals (9) | 2141.39 | .... | 7.85 | 7.03 | 16.66 | 108.10 | 2142.36 | 2143.77 | 2172.37 | 2356.28 |
| 5 Electronics (27) | 2181.63 | +0.7 | 6.98 | 3.91 | 18.22 | 50.14 | 2167.00 | 2168.67 | 2181.33 | 1674.47 |
| 6 Engineering-Aerospace (6) | 256.21 | +0.4 | 13.81 | 9.16 | 9.21 | 15.92 | 255.13 | 262.36 | 266.04 | 339.36 |
| 7 Engineering-General (43) | 444.27 | +0.2 | 8.98 | 5.30 | 14.23 | 16.58 | 443.25 | 443.91 | 445.85 | 464.88 |
| 8 Metals and Metal Forming (7) | 271.58 | +0.2 | 6.29 | 4.73 | 23.14 | 8.52 | 270.93 | 263.69 | 275.53 | 337.12 |
| 9 Motors (15) | 319.86 | .... | 6.36 | 7.35 | 22.93 | 17.59 | 319.68 | 324.28 | 327.25 | 311.21 |
| 10 Other Industrials (18) | 1773.38 | -0.2 | 7.03 | 4.72 | 17.19 | 61.23 | 1776.64 | 1760.55 | 1788.24 | 1518.74 |
| 21 CONSUMER GROUP (192) | 1665.34 | +0.9 | 6.99 | 3.49 | 17.75 | 40.00 | 1650.03 | 1643.71 | 1653.14 | 1551.79 |
| 22 Brewers and Distillers (25) | 1962.55 | +1.1 | 8.46 | 3.76 | 14.26 | 41.53 | 1940.68 | 1933.76 | 1942.75 | 1879.81 |
| 25 Food Manufacturing (19) | 1252.43 | .... | 8.48 | 4.26 | 14.67 | 36.85 | 1252.40 | 1252.89 | 1271.49 | 1177.93 |
| 26 Food Retailing (18) | 2931.99 | +1.6 | 8.78 | 3.18 | 14.79 | 62.29 | 2886.35 | 2849.66 | 2877.23 | 2208.92 |
| 27 Health and Household (26) | 4341.75 | +0.8 | 5.12 | 2.61 | 22.66 | 87.51 | 4307.10 | 4313.90 | 4255.38 | 4095.96 |
| 29 Hotels and Leisure (18) | 1151.77 | +0.4 | 6.82 | 5.92 | 19.29 | 46.03 | 1147.51 | 1133.12 | 1141.44 | 1308.22 |
| 30 Media (27) | 1655.12 | +0.6 | 6.03 | 3.20 | 20.71 | 38.19 | 1645.51 | 1635.13 | 1647.80 | 1424.55 |
| 31 Packaging, Paper & Printing (17) | 735.01 | +0.8 | 7.11 | 4.43 | 17.45 | 24.01 | 729.38 | 722.86 | 734.21 | 734.47 |
| 34 Stores (33) | 1081.93 | +1.6 | 6.75 | 3.35 | 19.61 | 26.40 | 1065.02 | 1058.71 | 1077.11 | 1016.95 |
| 35 Textiles (9) | 707.41 | +1.0 | 6.71 | 4.34 | 18.76 | 21.09 | 700.27 | 697.74 | 699.10 | 628.35 |
| 40 OTHER GROUPS (116) | 1376.88 | +0.7 | 8.90 | 4.96 | 14.00 | 41.46 | 1366.77 | 1366.99 | 1371.52 | 1199.94 |
| 41 Business Services (18) | 1416.91 | -0.3 | 6.26 | 3.60 | 19.58 | 30.78 | 1421.39 | 1414.74 | 1425.10 | 1358.27 |
| 42 Chemicals (22) | 1340.51 | +1.3 | 6.82 | 5.46 | 18.54 | 48.71 | 1323.28 | 1321.18 | 1327.27 | 1396.69 |
| 43 Conglomerates (10) | 1329.87 | -0.1 | 8.67 | 8.27 | 14.77 | 40.93 | 1331.00 | 1333.90 | 1334.97 | 1387.31 |
| 44 Transport (13) | 2496.53 | +1.2 | 9.11 | 4.76 | 13.16 | 83.03 | 2466.02 | 2511.21 | 2539.16 | 2501.62 |
| 45 Electricity (16) | 1542.23 | +0.7 | 13.57 | 4.78 | 9.48 | 55.01 | 1532.09 | 1528.09 | 1525.50 | 1171.16 |
| 46 Telephone Networks (4) | 1618.61 | +0.4 | 8.23 | 4.18 | 15.75 | 46.15 | 1612.94 | 1606.26 | 1601.30 | 1413.21 |
| 47 Water (11) | 3322.72 | +0.6 | 13.62 | 5.25 | 8.12 | 94.82 | 3302.29 | 3272.16 | 3315.19 | 2261.89 |
| 48 Miscellaneous (22) | 2363.78 | +1.8 | 5.96 | 4.27 | 20.75 | 56.19 | 2320.94 | 2335.36 | 2353.93 | 1774.69 |
| 49 INDUSTRIAL GROUP (482) | 1349.99 | +0.8 | 7.68 | 4.32 | 16.30 | 38.41 | 1339.66 | 1337.93 | 1345.50 | 1344.07 |
| 51 Oil & Gas (18) | 2143.06 | +0.2 | 6.17 | 6.05 | 21.23 | 102.73 | 2139.60 | 2146.09 | 2149.89 | 2308.62 |
| 59 500 SHARE INDEX (500) | 1423.92 | +0.7 | 7.52 | 4.50 | 16.71 | 43.43 | 1413.92 | 1412.73 | 1420.15 | 1335.98 |
| 61 FINANCIAL GROUP (82) | 840.47 | +1.3 | - | 5.23 | - | 31.47 | 829.30 | 833.28 | 842.13 | 746.79 |
| 62 Banks (9) | 1160.34 | +1.6 | 4.46 | 4.79 | 33.69 | 40.52 | 1142.11 | 1152.63 | 1165.37 | 874.62 |
| 65 Insurance (Life) (6) | 1677.20 | +2.7 | - | 5.42 | - | 68.18 | 1632.94 | 1626.80 | 1661.44 | 1455.87 |
| 66 Insurance (Composite) (7) | 609.24 | +2.3 | - | 4.95 | - | 22.58 | 595.71 | 596.91 | 600.18 | 539.94 |
| 67 Insurance (Brokers) (10) | 700.76 | -4.4 | 9.40 | 8.02 | 14.31 | 42.23 | 732.95 | 724.00 | 741.62 | 1010.75 |
| 68 Merchant Banks (6) | 462.50 | +0.8 | - | 4.94 | - | 16.75 | 458.73 | 459.36 | 463.40 | 476.54 |
| 69 Property (30) | 614.06 | -0.5 | 9.22 | 6.87 | 14.21 | 24.94 | 617.23 | 618.13 | 618.07 | 666.37 |
| 70 Other Financial (14) | 263.79 | -0.4 | 7.53 | 6.32 | 17.45 | 10.24 | 264.77 | 265.37 | 267.21 | 243.11 |
| 71 Investment Trusts (70) | 1250.16 | +1.1 | - | 3.60 | - | 30.44 | 1236.08 | 1239.71 | 1252.25 | 1181.65 |
| 99 ALL-SHARE INDEX (652) | 1282.84 | +0.8 | - | 4.58 | - | 40.06 | 1272.58 | 1272.62 | 1280.40 | 1194.77 |

### FT-SE Actuaries 350 Industry Baskets

| Hourly | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous close | change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Constrcn | 1323.4 | 1321.3 | 1321.6 | 1324.0 | 1323.7 | 1321.1 | 1322.1 | 1324.1 | 1326.1 | 1326.9 | 1329.4 | -2.5 |
| Health&H | 1305.1 | 1303.2 | 1305.9 | 1306.4 | 1306.2 | 1306.7 | 1307.0 | 1311.6 | 1314.3 | 1314.2 | 1303.7 | +10.5 |
| Water | 1372.2 | 1373.1 | 1374.6 | 1374.8 | 1372.4 | 1371.4 | 1371.2 | 1371.9 | 1374.3 | 1374.6 | 1366.0 | +8.6 |
| Banks | 1372.7 | 1371.5 | 1379.0 | 1384.7 | 1379.7 | 1380.9 | 1378.5 | 1389.2 | 1405.0 | 1409.4 | 1387.6 | +21.8 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
Constituent changes: DELETION: Ansbacher (Henry) (68)

## LONDON SHARE SERVICE

### BRITISH FUNDS

| | Notes | Price £ | +or - | 1992 high | 1992 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### BRITISH FUNDS - Cont.

| | Notes | Price £ | +or - | 1992 high | 1992 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|---|
| Conversion 10¼pc 1999 | | [illegible] | [illegible] | [illegible] | [illegible] | 9.09 | 7.71 |
| 9pc 2000 | | [illegible] | [illegible] | [illegible] | [illegible] | 8.40 | 7.70 |
| Treas 13pc 2000 | | [illegible] | [illegible] | [illegible] | [illegible] | 10.27 | 8.02 |
| 10pc 2001 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.10 |
| 14pc '98-01 | | [illegible] | [illegible] | [illegible] | [illegible] | 11.09 | 7.86 |
| 9¾pc 2002 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.31 |
| 10pc 2003 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.40 |
| Treas 11½pc 2001-04 | | [illegible] | [illegible] | [illegible] | [illegible] | 9.78 | 8.45 |
| Funding 3½pc '99-04 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 7.65 |
| Conversion 9½pc 2004 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.53 |
| 9½pc 2005 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.57 |
| Treas 12½pc 2003-05 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.63 |
| 8pc 2002-06 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.51 |
| Treas 11¾pc 2003-07 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.75 |
| Treas 8½pc 2007 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.64 |
| 13½pc '04-08 | | [illegible] | [illegible] | [illegible] | [illegible] | 10.82 | 8.59 |
| **Over Fifteen Years** | | | | | | | |
| 9pc 2008 | | [illegible] | [illegible] | [illegible] | [illegible] | 8.77 | 8.67 |
| 8pc 2009 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.73 |
| 8pc 2009 A | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.74 |
| Conv 9pc Ln 2011 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.76 |
| Treas. 9pc 2012 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.77 |
| 9pc 2012 A | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.78 |
| Treas 5½pc 2008-12 | | 71¼ | [illegible] | [illegible] | [illegible] | 7.71 | 8.61 |
| 7¾pc 2012-15 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.64 |
| Exch 12pc '13-'17 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 9.01 |
| Treas 8¾pc 2017 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.82 |
| 8¾pc 2017 A | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.83 |
| **Undated** | | | | | | | |
| Consols 4pc | | 44¾ | [illegible] | [illegible] | [illegible] | [illegible] | - |
| War Loan 3½pc | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |
| Conv 3½pc '61 Aft | | [illegible] | [illegible] | [illegible] | 50 | [illegible] | - |
| Treas 3pc '66 Aft | | 34½ | [illegible] | 38 | [illegible] | [illegible] | - |
| Consols 2½pc | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |
| Treas. 2½pc | | [illegible] | [illegible] | 28 | [illegible] | [illegible] | - |

### BRITISH FUNDS - Cont.

| Index-Linked | Notes | Price £ | +or - | 1992 high | 1992 low | Yield (1) | Yield (2) |
|---|---|---|---|---|---|---|---|
| Treas. 2pc '94 | (102.9) | [illegible] | [illegible] | [illegible] | 122¾ | [illegible] | 2.15 |
| 2pc '96 | (67.9) | [illegible] | [illegible] | [illegible] | [illegible] | 1.78 | 2.48 |
| 4⅝pc '98 | (135.3) | [illegible] | [illegible] | [illegible] | [illegible] | 2.71 | 3.28 |
| 2½pc '01 | (78.3) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 3.42 |
| 2½pc '03 | (78.8) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 3.51 |
| 4⅜pc '04 | (135.3) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 3.64 |
| 2pc '06 | (69.5) | [illegible] | [illegible] | [illegible] | [illegible] | 3.41 | 3.68 |
| 2½pc '09 | (78.8) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 3.78 |
| 2½pc '11 | (74.6) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 3.79 |
| 2½pc '13 | (89.2) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 3.82 |
| 2½pc '16 | (81.6) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 3.84 |
| 2½pc '20 | (83.0) | [illegible] | [illegible] | [illegible] | [illegible] | 3.72 | 3.86 |
| 2½pc '24 | (97.7) | [illegible] | [illegible] | [illegible] | [illegible] | 3.74 | 3.88 |
| 4⅛pc '30 | (135.1) | [illegible] | [illegible] | [illegible] | [illegible] | 3.76 | 3.89 |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1992: 138.8 and for October 1992: 139.9

### OTHER FIXED INTEREST

| | Notes | Price £ | +or - | 1992 high | 1992 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|---|
| African Dev 11¼ 2010 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 9.15 |
| Asian Dev 10¼pc 2009 | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 9.10 |
| B'ham 11½pc 2012 | | 114¾ | [illegible] | 119 | 102¾ | 10.02 | 9.80 |
| Ireland Cap 8½pc '10 | | 100 | [illegible] | 100 | [illegible] | [illegible] | - |
| 9pc Cap 1996 | | 104½ | [illegible] | [illegible] | 90 | [illegible] | - |
| 13pc '97-02 | | 119 | +1 | [illegible] | [illegible] | 10.92 | - |
| Hydro Quebec 15pc 2011 | | [illegible] | [illegible] | [illegible] | [illegible] | 10.78 | 10.21 |
| Leeds 13½pc 2006 | | [illegible] | — | [illegible] | [illegible] | 10.49 | 9.69 |
| Liverpool 3½pc Irrd | | 34½ | — | 36 | 30 | 10.14 | - |
| LCC 3pc '20 Aft | | 30½ | — | 32 | 27 | 9.84 | - |
| Manchester 11½pc 2007 | | 114¼ | — | 115½ | 103¼ | 10.02 | 9.52 |
| Met. Wtr 3pc 'B' | | 62½ | — | [illegible] | 53 | 4.80 | 8.46 |
| N'wide Anglia 3⅞pc 2021 | | 118¼ | — | 121 | 103¼ | - | 4.90 |
| 4⅛pc IL 2024 | | 117 | — | 119¼ | 103¼ | - | 4.78 |
| Utd Mex States 16½pc 2008 | | [illegible] | — | 131½ | 121½ | 12.82 | 12.09 |

## AMERICANS

| Notes | Price £ | + or - | 1992 high | 1992 low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|
| Abbott Labs h | 28¼xd | +⅛ | 28⅛ | 14⅝ | 17,880 | 1.9 |
| ♥Allegheny & W. | 435p | -11 | 454p | 226p | 226.1 | 4.3 |
| Amdahl | 517p | -11 | 1159p | 455p | 590.6 | 1.2 |
| Amer Cyanamid | 36⅞ | -¼ | 37⅝ | 28⅝ | 3,192 | 2.9 |
| Amer Express | 14¾xd | +⅜ | 14⅞ | 10⅞ | 6,893 | 4.4 |
| Amer T & T | 30⅞xd | -⅛ | 30¾ | 20⅛ | 40,395 | 2.7 |
| Ameritech | 42⅛ | -⅛ | 43½ | 32½ | 15,496 | 5.2 |
| BankAmerica | 27⅝xd | -⅛ | 28½ | 19⅞ | 8,518 | 3.0 |
| Bankers NY | 43⅛xd | -⅛ | 44 | 28⅞ | 3,471 | 4.1 |
| Bell Atlantic | 30 | +⅛ | 31⅛ | 23⅛ | 12,961 | 5.5 |
| BellSouth | 31⅞ | +⅛ | 34⅛ | 25 | 15,460 | 5.5 |
| ♥Bethlehem Steel | 8⅞xd | -⅛ | 9⅞ | 5⅞ | 797.2 | — |
| Bowater | 1436pxd | +24 | 1579p | 905p | 519.1 | 5.3 |
| CPC h | 32⅞xd | -⅛ | 33 | 22⅞ | 4,983 | 2.3 |
| ♥Cadiz Land Inc | 125p | — | 342p | 108p | — | — |
| California Engy | 593p | -6 | 659p | 501p | 180.8 | — |
| Chase Manhattan | 18⅞xd | -⅛ | 17⅞ | 9⅞ | 2,529 | 4.5 |
| Chrysler | 18⅛xd | -⅛ | 18½ | 8⅛ | 5,308 | 2.1 |
| Citicorp | 11⅞xd | -⅛ | 12⅞ | 5⅞ | 4,273 | — |
| Colgate-Palm | 38⅛xd | -⅛ | 39⅛ | 25⅛ | 6,177 | 2.0 |
| Cont'l Bank | 1255p | — | 1256p | 499p | 1,288 | 3.0 |
| Dana | 28xd | +⅛ | 28⅞ | 14⅞ | 1,283 | 3.6 |
| Data General | 706p | +13 | 1094p | 384p | 194.6 | — |
| ♥Decora Inds | 146p | — | 146p | 68p | — | — |
| Dun & Brad | 37⅛ | -⅛ | 38⅛ | 27⅞ | 6,024 | 3.9 |
| Eaton | 48⅛ | -⅛ | 48⅛ | 32½ | 1,597 | 3.0 |
| Echlin | 13⅞xd | -⅛ | 13½ | 7⅞ | 709.2 | 3.3 |
| FPL | 23½xd | -⅛ | 23⅞ | 17⅞ | 4,244 | 6.5 |
| Fluor | 28½xd | -⅛ | 29⅝ | 19⅞ | 2,311 | 0.9 |
| Ford Motor | 28⅛xd | — | 26⅞ | 15 | 12,786 | 2.4 |

## CANADIANS

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## BUILDING MATERIALS - Cont.

## BUSINESS SERVICES

## CHEMICALS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## CONTRACTING & CONSTRUCTION - Cont.

## ELECTRICALS

## ELECTRICITY

## ELECTRONICS

## ENGINEERING - AEROSPACE

## ENGINEERING - GENERAL

## ENGINEERING - GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HOTELS & LEISURE

## HOTELS & LEISURE - Cont.

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

[illegible]

## INVESTMENT COMPANIES

[illegible]

## MEDIA

[illegible]

## MEDIA - Cont.

[illegible]

## MERCHANT BANKS

[illegible]

## METALS & METAL FORMING

[illegible]

## MISCELLANEOUS

[illegible]

## MOTORS

[illegible]

## OIL & GAS

[illegible]

## OIL & GAS - Cont.

[illegible]

## OTHER FINANCIAL

[illegible]

## OTHER INDUSTRIALS

[illegible]

## PACKAGING, PAPER & PRINTING

[illegible]

## PACKAGING, PAPER & PRINTING - Cont.

[illegible]

## PROPERTY

[illegible]

## STORES

[illegible]

## STORES - Cont.

[illegible]

## TELEPHONE NETWORKS

[illegible]

## TEXTILES

[illegible]

## TRANSPORT

[illegible]

## WATER

[illegible]

## SOUTH AFRICANS

[illegible]

## PLANTATIONS

[illegible]

## MINES

[illegible]

## MINES - Cont.

[illegible]

## GUIDE TO LONDON SHARE SERVICE

[illegible]

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ)
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below
+ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed, dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
◆ Merger bid or reorganisation in progress
§ Forecast dividend yield, p/e based on earnings updated by latest interim statement.
♦ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings
[illegible]

v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised [illegible]

official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; [illegible]

[illegible]

## FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT2732. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

## FT Cityline

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Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

## AUTHORISED UNIT TRUSTS

### Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

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# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Sharp (Albert E.) & Co (1000)F** | | | | | | |
| Admin: 5 Rayleigh Rd Hutton, Brentwood Essex | | | | | | |
| Enquiries: 0277 227300 Dealing: 0277 261010 | | | | | | |
| Intl Bond & Conv | 5 | 116.90 | 117.30xd | 123.40 | +0.16 | 6.16 |
| Pooled Pension ♦ | 3½ | 137.4 | 141.8 | 146.7 | -0.3 | - |
| Smaller Cos | 5 | 50.64 | 52.40xd | 55.16 | -0.06 | 2.56 |
| UK General | 5 | 109.30 | 111.00 | 116.80 | -0.10 | 2.81 |
| **Sheppards Unit Trust Mngmt Ltd (1200)F** | | | | | | |
| 1 White Hart Yard, London Bridge SE1 071 407 5966 | | | | | | |
| Income | 5 | 355.21 | 355.21 | 376.52 | +1.42 | 5.47 |
| Global Inc | 5 | 50.43 | 50.43 | 53.46 | +0.21 | 3.99 |
| Brit Leaders | 5 | 299.69 | 299.69 | 317.67 | +0.85 | 3.22 |
| Intl Leaders | 5 | 162.51 | 162.51 | 172.26 | -0.30 | 1.90 |
| P As Man Bal Gwth Acc ♥ | 3½ | 48.15 | 49.35 | 51.27 | -0.13 | 0.51 |
| P As Man Bal Gwth Inc ♥ | 3½ | 48.15 | 49.35 | 51.27 | -0.13 | 0.51 |
| **Singer & Friedlander UT Mgmt Ltd (1000)F** | | | | | | |
| PO Box 224, Beckenham, BR3 4TF 081-663 3003 | | | | | | |
| European Trust | 6 | 46.35 | 46.35xd | 49.30 | -0.11 | 1.66 |
| Far Eastern Tst | 6 | 51.97 | 52.46 | 55.81 | -0.37 | 0.88 |
| Smaller Cos | 5 | 110.7 | 115.3 | 122.7 | .... | 3.04 |
| **Smith & Williamson Unit Tst Mgrs (1600)F** | | | | | | |
| 1 Riding House St, London W1A 3AS 071-637 5377 | | | | | | |
| S & W American ♦ | 5 | 261.6 | 262.2 | 277.4 | +0.6 | 0.95 |
| S & W Capital | 5 | 105.7 | 105.7 | 113.3 | -0.3 | 1.91 |
| S & W Cash ♦ | 0 | 101.15 | 101.15 | 101.15 | +0.01 | 7.57 |
| S & W European | 5 | 103.9 | 104.2 | 110.2 | -1.00 | 1.31 |
| S & W Far Eastern | 5 | 108.7 | 109.5 | 115.8 | -0.6 | 0.00 |
| S & W Growth | 5 | 113.0 | 114.2xd | 120.8 | -0.2 | 1.56 |
| S & W Income | 5 | 98.92 | 100.3 | 106.0 | -0.2 | 5.57 |
| S & W Magnum | 5 | 112.2 | 112.2 | 120.4 | -0.2 | 1.84 |
| S & W Smllr Secs | 5 | 245.8 | 251.6xd | 266.2 | -0.7 | 0.92 |
| S & W Thoroughbred | 5 | 129.6 | 129.6xd | 139.1 | -0.2 | 1.85 |
| **Societe Generale Touche Remnant (1600)F** | | | | | | |
| Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250 | | | | | | |
| [illegible] | | | | | | |

Whittingdale Unit Tst Mgmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

## OTHER UK UNIT TRUSTS

## INSURANCES

AEGON Life Assurance Co (UK) Ltd

Cannon Assurance Ltd – Contd.

Crown Financial Management Ltd–Contd.

Guardian Royal Exchange – Contd.

Legal & General – Contd.

Midland Life Limited

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## MANAGEMENT SERVICES

## OFFSHORE INSURANCES

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### CANADA (SIB RECOGNISED)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)

### IRELAND (SIB RECOGNISED)

### IRELAND (REGULATED)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481

| | | |
|---|---|---|
| North American Equity $ | $11.43 | 12.30 |
| Pacific Equity $ | $7.95 | 8.56 |
| Intl Currency $ | $4.44 | 4.79 |
| Intl Bond Fund $ | $8.12 | 8.75 |
| Gilt Fund £ | £5.69 | 6.13 |
| US Dollar Mngd Fd $ | $1.98 | 2.14 |
| Stly Managed Fd £ | £1.25 | 1.35 |

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# FT MANAGED FUNDS SERVICE

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IBI Global Funds Limited

R & H Fund Managers Ltd

Target International (Isle of Man) Ltd

## JERSEY (SIB RECOGNISED)

Lloyds Bank Trust Co (CI) Mngrs

Management International (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Nat. Westminster Jersey Fd. Mgrs. Ltd

Cresvale Group (a)

DB Investment Management SA

Nomura Global Fund (a)

Norwich Union Intl Portfolio (a)

PRICOA Worldwide Inv Portfolio Sicav (a)

Europe Value Fund (a)

Fidelity Intl Inv Mngt (Luxembourg) SA

Fidelity Investment (CI) Ltd

Austro-Hungary Fund Ltd

BEA Associates

Julius Baer Bank & Trust Co Ltd

Julius Baer Multistock

Global Asset Management – Contd.

Northfield International Ltd

Odey Asset Management Limited

Old Ironsides International Ltd

Omega Overseas Partners Ltd

Optima Fund Management

Orbis Investment Management Ltd

## JERSEY (REGULATED**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# D-Mark weaker on rate cuts

THE DOLLAR recovered from an early fall against the D-Mark yesterday after the Dutch and Belgian central banks cut their money market dealing rates, heightening speculation that the Bundesbank will ease monetary policy in the short term, *writes James Blitz*.

However, the D-Mark's weakness yesterday was more a matter of tone than substance. Dealers remain uncertain when the next easing in German official and rates will come, while a slightly narrower US trade deficit in September left the market no better informed yesterday about the scope for an economic upturn.

The central banks of Belgium and the Netherlands reduced their rates following a period in which their currencies have risen strongly against the D-Mark. Both central banks are committed to keeping their currencies within tight ranges against the German one.

The Dutch said yesterday that they had eased their special advances rate to 8.70 per cent from 8.80 per cent in response to the strong guilder.

The moves had only a minor impact on their currencies against the D-Mark. The Belgian franc closed at BFr20.53 to the D-Mark from a previous close of BFr20.58, and the guilder was unchanged at Nfl 1.124 to the D-Mark.

However, the easing of policy had an impact on the dollar/D-Mark rate, on speculation that it might now be easier for the Bundesbank to ease policy too.

The US currency had weakened against the D-Mark at the start of European trading, dropping to DM1.5815. But dealers tried to push the dollar through the DM1.60 barrier at the end of the European day, and the currency closed more-or-less unchanged at DM1.5975.

Sterling failed to benefit much from the continental moves, although UK equity dealers said that the rate cuts had helped to underpin sterling after the recent easing in UK base rates. Some dealers even suggested that a cut in UK base rate to 6 per cent would be more likely before the end of the year.

The pound closed unchanged at DM2.4300. Against the dollar it closed slightly firmer at $1.5210.

Another factor affecting European trading yesterday was the decision of the Swiss authorities to add liquidity to the Swiss franc money market, in order to ease what they described as "tension" in market interest rates.

The Swiss National Bank has repeatedly said that it would act to prevent a sharp fall in the Swiss franc against the D-Mark as this would risk importing inflation from Germany, the country's largest trading partner.

However, the Bank yesterday acted to halt the recent rise in money market rates, and 3-month money closed unchanged at 6 11/16 per cent on the bid side. The Swiss franc closed weaker at SFr0.912 to the D-Mark from SFr0.908.

### £ IN NEW YORK

| Nov.18 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.5225-1.5235 | 1.5210-1.5220 |
| 1 month | 0.53-0.52pm | 0.55-0.54pm |
| 3 months | 1.27-1.25pm | 1.27-1.25pm |
| 12 months | 3.55-3.45pm | 3.55-3.45pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Nov.18 | Previous |
|---|---|---|
| 8.30 am | 78.1 | 78.1 |
| 9.00 am | 78.1 | 78.0 |
| 10.00 am | 78.0 | 78.4 |
| 11.00 am | 77.9 | 78.1 |
| Noon | 77.9 | 78.2 |
| 1.00 pm | 77.9 | 78.2 |
| 2.00 pm | 78.0 | 78.1 |
| 3.00 pm | 78.0 | 78.1 |
| 4.00 pm | 78.1 | 78.1 |

### CURRENCY RATES

| Nov 18 | Bank & rate % | Special * Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | 0.910651 | 0.815174 |
| U.S Dollar | 3.00 | 1.37991 | 1.24265 |
| Canadian $ | 6.18 | 1.75911 | 1.58500 |
| Austrian Sch | 8.25 | 15.5709 | 13.8506 |
| Belgian Franc | 7.75 | 45.3887 | 40.4452 |
| Danish Krone | 9.50 | 8.46575 | 7.57272 |
| D-Mark | 8.25 | 2.21848 | 1.96873 |
| Dutch Guilder | 7.75 | 2.49143 | 2.21453 |
| French Franc | 10 | 7.46117 | 6.63700 |
| Italian Lira | 13.00 | 1888.68 | 1680.09 |
| Japanese Yen | 3.25 | 172.144 | 154.399 |
| Norway Krone | - | 8.89045 | 8.01883 |
| Spanish Peseta | - | 158.583 | 140.999 |
| Swedish Krona | 11.50 | N/A | 7.41304 |
| Swiss Franc | 6.00 | 2.00846 | 1.79563 |
| Greek Drach | 19 | N/A | 255.912 |
| Irish Punt | - | N/A | 0.742724 |

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Nov.17

### CURRENCY MOVEMENTS

| Nov 18 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 78.1 | -32.12 |
| U.S Dollar | 65.2 | -12.00 |
| Canadian Dollar | 94.2 | -7.71 |
| Austrian Schilling | 113.5 | +14.97 |
| Belgian Franc | 115.3 | +1.20 |
| Danish Krone | 114.8 | +8.99 |
| D-Mark | 123.7 | +29.70 |
| Swiss Franc | 110.1 | +18.27 |
| Dutch Guilder | 118.6 | +19.94 |
| French Franc | 109.2 | -7.77 |
| Lira | 89.2 | -27.69 |
| Yen | 149.8 | +86.23 |
| Peseta | 98.1 | -35.64 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov.17

### OTHER CURRENCIES

| Nov 18 | £ | $ |
|---|---|---|
| Argentina | 1.5085 - 1.5110 | 0.9910 - 0.9920 |
| Australia | 2.2120 - 2.2140 | 1.4530 - 1.4540 |
| Brazil | 13799.5 - 13800.0 | 9069.90 - 9070.10 |
| Finland | 7.7275 - 7.7785 | 5.0850 - 5.0950 |
| Greece | 311.050 - 317.300 | 203.980 - 208.060 |
| Hong Kong | 11.7820 - 11.7980 | 7.7380 - 7.7390 |
| Iran | 2230.00* | 1455.00* |
| Korea(Sth) | 1185.75 - 1204.85 | 782.00 - 788.20 |
| Kuwait | 0.45530 - 0.45590 | 0.29915 - 0.29945 |
| Luxembourg | 49.85 - 49.95 | 32.75 - 32.85 |
| Malaysia | 3.8395 - 3.8480 | 2.5235 - 2.5245 |
| Mexico | 4736.50 - 4739.50 | 3111.00 - 3113.00 |
| N.Zealand | 2.9405 - 2.9455 | 1.9315 - 1.9345 |
| Saudi Ar | 5.6435 - 5.7575 | 3.7495 - 3.7505 |
| Singapore | 2.4860 - 2.4935 | 1.6335 - 1.6345 |
| S.Af (Cm) | 4.5600 - 4.5720 | 2.9965 - 2.9985 |
| S.Af (Fn) | 7.4525 - 7.5075 | 4.8950 - 4.9310 |
| Taiwan | 38.60 - 38.75 | 25.35 - 25.45 |
| U.A.E. | 5.5255 - 5.6390 | 3.6715 - 3.6735 |

*Floating rate. Iran Official rate £100.50 $65.95

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Nov 18 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Belgian Franc | 41.9547 | 40.4452 | -3.60 | 5.09 | 49 |
| Dutch Guilder | 2.29193 | 2.21453 | -3.38 | 4.85 | 39 |
| D-Mark | 2.03412 | 1.96873 | -3.21 | 4.67 | 40 |
| French Franc | 6.82216 | 6.63700 | -2.71 | 4.14 | 7 |
| Danish Krone | 7.75901 | 7.57272 | -2.40 | 3.80 | -9 |
| Irish Punt | 0.799300 | 0.742724 | -2.18 | 3.57 | -18 |
| Portuguese Escudo | 176.844 | 174.294 | -1.44 | 2.79 | 2 |
| Spanish Peseta | 139.176 | 140.999 | 1.31 | 0.00 | -47 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Nov 18 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.5190 - 1.5270 | 1.5205 - 1.5215 | 0.53-0.51cpm | 4.10 | 1.29-1.25pm | 3.34 |
| Canada | 1.9380 - 1.9465 | 1.9385 - 1.9395 | par -0.06cdis | -0.19 | 0.16-0.52dis | -0.70 |
| Netherlands | 2.7150 - 2.7400 | 2.7275 - 2.7375 | ⅛-⅜cdis | -1.37 | 1⅛-1⅜dis | -1.83 |
| Belgium | 49.55 - 49.95 | 49.85 - 49.95 | 5-9cdis | -1.68 | 18-25dis | -1.72 |
| Denmark | 9.2550 - 9.3375 | 9.3275 - 9.3375 | 2⅛-3⅛oredis | -3.70 | 6⅞-8⅞dis | -3.21 |
| Ireland | 0.9100 - 0.9140 | 0.9125 - 0.9135 | 0.73-0.65cpm | 9.07 | 2.10-1.95pm | 8.87 |
| Germany | 2.4125 - 2.4350 | 2.4275 - 2.4325 | ⅜-½pfdis | -2.16 | 1-1⅛dis | -1.75 |
| Portugal | 213.25 - 215.50 | 213.25 - 214.25 | 125-188cdis | -8.79 | 386-541dis | -8.67 |
| Spain | 172.90 - 173.90 | 173.35 - 173.65 | 99-117cdis | -7.47 | 291-327dis | -7.12 |
| Italy | 2057.75 - 2079.50 | 2077.25 - 2078.25 | 9½-13lirdis | -6.50 | 34-37dis | -6.83 |
| Norway | 9.8225 - 9.8950 | 9.8850 - 9.8950 | 2⅜-3oredis | -3.26 | 6⅞-7⅜dis | -2.91 |
| France | 8.1300 - 8.2075 | 8.1925 - 8.2025 | 1½-1¾cdis | -2.38 | 4¾-5⅛dis | -2.41 |
| Sweden | 9.1025 - 9.2650 | 9.2550 - 9.2650 | 4⅛-5oredis | -5.91 | 13⅛-15⅛dis | -6.16 |
| Japan | 188.75 - 190.00 | 188.75 - 189.75 | ⅝-½ypm | 3.57 | 1⅞-1⅝pm | 3.57 |
| Austria | 16.98 - 17.06 | 17.00 - 17.03 | 1-2grodis | -1.06 | 4⅞-6½dis | -1.28 |
| Switzerland | 2.2000 - 2.2200 | 2.2100 - 2.2200 | ⅛-⅜cpm | 1.02 | ⅛-¼pm | 0.34 |
| Ecu | 1.2285 - 1.2365 | 1.2335 - 1.2345 | 0.28-0.36cdis | -3.11 | 0.92-1.02dis | -3.14 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.22-2.17pm. 12 Month 3.60-3.50pm

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Nov 18 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.5190 - 1.5270 | 1.5205 - 1.5215 | 0.53-0.51cpm | 4.10 | 1.29-1.25pm | 3.34 |
| Ireland† | 1.6635 - 1.6740 | 1.6670 - 1.6680 | 1.70-1.60cpm | 11.87 | 4.55-4.35pm | 10.67 |
| Canada | 1.2735 - 1.2790 | 1.2745 - 1.2755 | 0.45-0.55cdis | -4.71 | 1.20-1.40dis | -4.08 |
| Netherlands | 1.7800 - 1.7975 | 1.7960 - 1.7970 | 0.85-0.88cdis | -5.78 | 2.31-2.36dis | -5.20 |
| Belgium | 32.50 - 32.85 | 32.75 - 32.85 | 15.30-16.30cdis | -5.78 | 40.00-43.00dis | -5.06 |
| Denmark | 6.0675 - 6.1425 | 6.1325 - 6.1375 | 3.45-4.40oredis | -7.68 | 9.50-11.00dis | -6.68 |
| Germany | 1.5815 - 1.5985 | 1.5970 - 1.5980 | 0.78-0.79pfdis | -5.90 | 2.08-2.10dis | -5.23 |
| Portugal | 140.20 - 141.30 | 141.15 - 141.25 | 148-163cdis | -13.22 | 400-440dis | -11.90 |
| Spain | 113.25 - 114.25 | 114.15 - 114.25 | 105-115cdis | -11.56 | 290-310dis | -10.51 |
| Italy | 1350.90 - 1367.00 | 1365.75 - 1366.25 | 11.10-13.00lirdis | -10.59 | 34.90-36.00dis | -10.38 |
| Norway | 6.4400 - 6.5075 | 6.5000 - 6.5050 | 3.75-4.50oredis | -7.61 | 10.00-11.50dis | -6.61 |
| France | 5.3300 - 5.3975 | 5.3875 - 5.3925 | 2.84-2.92cdis | -6.41 | 7.70-7.85dis | -5.77 |
| Sweden | 5.9550 - 6.0900 | 6.0850 - 6.0900 | 4.50-5.80oredis | -10.15 | 14.00-16.00dis | -9.86 |
| Japan | 124.15 - 124.40 | 124.30 - 124.40 | 0.05-0.06ydis | -0.53 | 0.06-0.05cpm | 0.18 |
| Austria | 11.1390 - 11.2125 | 11.1800 - 11.1850 | 4.85-5.25grodis | -5.42 | 12.75-13.85dis | -4.76 |
| Switzerland | 1.4430 - 1.4570 | 1.4555 - 1.4565 | 0.43-0.45cdis | -3.63 | 1.15-1.20dis | -3.23 |
| Ecu | 1.2320 - 1.2435 | 1.2320 - 1.2330 | 0.76-0.71cpm | 7.16 | 2.00-1.95pm | 6.41 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EURO-CURRENCY INTEREST RATES

| Nov 18 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 7⅛ - 6⅞ | 7⅛ - 6⅞ | 7¼ - 7⅛ | 7¼ - 7⅛ | 6⅞ - 6¾ | 6¾ - 6⅝ |
| US Dollar | 3¼ - 2⅞ | 3¼ - 3 | 3⅜ - 3¼ | 3⅝ - 3½ | 3⅞ - 3¾ | 4⅜ - 4¼ |
| Can. Dollar | 7⅞ - 7⅝ | 7⅞ - 7⅝ | 7⅞ - 7¾ | 7⅞ - 7¾ | 7⅞ - 7⅝ | 7⅞ - 7⅝ |
| Dutch Guilder | 8⅝ - 8½ | 8⅝ - 8½ | 8⅝ - 8½ | 8⅜ - 8¼ | 8⅛ - 8 | 8 - 7⅞ |
| Swiss Franc | 6⅞ - 6¾ | 6⅞ - 6¾ | 6⅞ - 6¾ | 6⅝ - 6½ | 6⅜ - 6¼ | 6⅛ - 6 |
| D-Mark | 9 - 8⅞ | 9 - 8⅞ | 9 - 8⅞ | 9 - 8⅞ | 8⅝ - 8½ | 8⅛ - 7⅞ |
| French Franc | 9½ - 9¼ | 9½ - 9¼ | 9⅝ - 9½ | 9½ - 9⅜ | 9¼ - 9⅛ | 8¾ - 8⅝ |
| Italian Lira | 15 - 13 | 13½ - 13⅛ | 13⅞ - 13⅝ | 14 - 13⅞ | 13⅞ - 13⅝ | 13⅛ - 13 |
| Belgian Franc | 8⅝ - 8½ | 8⅞ - 8¾ | 8⅞ - 8¾ | 8¾ - 8⅝ | 8⅜ - 8¼ | 8 - 7⅞ |
| Yen | 3⅞ - 3¾ | 3⅞ - 3¾ | 3⅞ - 3¾ | 3¾ - 3⅝ | 3⅝ - 3½ | 3⅝ - 3½ |
| Danish Krone | 10½ - 9½ | 11 - 10 | 11 - 10½ | 11 - 10½ | 10 - 9½ | 10 - 9½ |
| Asian $Sing | 1½ - 1⅜ | 1⅝ - 1½ | 1¾ - 1⅝ | 2⅛ - 2 | 2⅜ - 2¼ | 2⅝ - 2½ |
| Spanish Peseta | 13⅞ - 13⅝ | 14⅛ - 13⅞ | 14⅛ - 13⅞ | 14¼ - 13⅞ | 13⅞ - 13⅝ | 13⅝ - 13⅜ |
| Portuguese Esc | 16 - 15 | 16½ - 16¼ | 17½ - 16½ | 16¼ - 15¼ | 15¼ - 14¼ | 15 - 14 |

Long term Eurodollars: two years 5-4⅞ per cent; three years 5⅝-5½ per cent; four years 6⅛-6 per cent; five years 6½-6⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| Nov.18 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C$ | B Fr. | Pta. | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.521 | 2.430 | 189.2 | 8.197 | 2.215 | 2.732 | 2078 | 1.939 | 49.90 | 173.5 | 1.234 |
| $ | 0.657 | 1 | 1.598 | 124.4 | 5.389 | 1.456 | 1.796 | 1366 | 1.275 | 32.81 | 114.1 | 0.811 |
| DM | 0.412 | 0.626 | 1 | 77.86 | 3.373 | 0.912 | 1.124 | 855.1 | 0.798 | 20.53 | 71.40 | 0.508 |
| YEN | 5.285 | 8.039 | 12.84 | 1000. | 43.32 | 11.71 | 14.44 | 10983 | 10.25 | 263.7 | 917.0 | 6.522 |
| F Fr. | 1.220 | 1.856 | 2.964 | 230.8 | 10. | 2.702 | 3.333 | 2535 | 2.365 | 60.88 | 211.7 | 1.505 |
| S Fr. | 0.451 | 0.687 | 1.097 | 85.42 | 3.701 | 1 | 1.233 | 938.1 | 0.875 | 22.53 | 78.33 | 0.557 |
| H Fl. | 0.366 | 0.557 | 0.889 | 69.25 | 3.000 | 0.811 | 1 | 760.6 | 0.710 | 18.27 | 63.51 | 0.452 |
| Lira | 0.481 | 0.732 | 1.169 | 91.05 | 3.945 | 1.066 | 1.315 | 1000. | 0.933 | 24.01 | 83.49 | 0.594 |
| C$ | 0.516 | 0.784 | 1.253 | 97.58 | 4.227 | 1.142 | 1.409 | 1072 | 1 | 25.73 | 89.48 | 0.636 |
| B Fr. | 2.004 | 3.048 | 4.870 | 379.2 | 16.43 | 4.439 | 5.475 | 4164 | 3.886 | 100. | 347.7 | 2.473 |
| Pta | 0.576 | 0.877 | 1.401 | 109.0 | 4.724 | 1.277 | 1.575 | 1198 | 1.118 | 28.76 | 100. | 0.711 |
| Ecu | 0.810 | 1.233 | 1.969 | 153.3 | 6.643 | 1.795 | 2.214 | 1684 | 1.571 | 40.44 | 140.6 | 1. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

**LIFFE LONG GILT FUTURES OPTIONS**
£50,000 64ths of 100%

| Strike Price | Calls-settlements Dec | Calls-settlements Mar | Puts-settlements Dec | Puts-settlements Mar |
|---|---|---|---|---|
| 97 | 3-14 | 3-29 | 0 | 0-55 |
| 98 | 2-15 | 2-49 | 0-01 | 1-11 |
| 99 | 1-18 | 2-10 | 0-04 | 1-36 |
| 100 | 0-32 | 1-41 | 0-18 | 2-03 |
| 101 | 0-08 | 1-15 | 0-58 | 2-41 |
| 102 | 0-03 | 0-57 | 1-53 | 3-19 |
| 103 | 0 | 0-40 | 2-50 | 4-02 |
| 104 | 0 | 0-27 | 3-50 | 4-53 |

Estimated volume total, Calls 2054 Puts 3728
Previous day's open int. Calls 39418 Puts 71199

**LIFFE US TREASURY BOND FUTURES OPTIONS**
$100,000 64ths of 100%

| Strike Price | Calls-settlements Dec | Calls-settlements Mar | Puts-settlements Dec | Puts-settlements Mar |
|---|---|---|---|---|
| 100 | 3-54 | 3-43 | 0 | 0-61 |
| 101 | 2-54 | 3-01 | 0 | 1-19 |
| 102 | 1-55 | 2-27 | 0-01 | 1-45 |
| 103 | 0-40 | 1-40 | 0-06 | 1-58 |
| 104 | 0-14 | 1-14 | 0-24 | 2-32 |
| 105 | 0-02 | 0-57 | 1-12 | 3-11 |
| 106 | 0 | 0-41 | 2-10 | 3-59 |
| 107 | 0 | 0-29 | 3-10 | 4-47 |

Estimated volume total, Calls 180 Puts 0
Previous day's open int. Calls 1428 Puts 1690

**LIFFE BUND FUTURES OPTIONS**
DM250,000 points of 100%

| Strike Price | Calls-settlements Dec | Calls-settlements Mar | Puts-settlements Dec | Puts-settlements Mar |
|---|---|---|---|---|
| 8950 | 1.69 | 2.28 | 0 | 0.07 |
| 9000 | 1.21 | 1.84 | 0.02 | 0.13 |
| 9050 | 0.72 | 1.43 | 0.03 | 0.22 |
| 9100 | 0.27 | 1.06 | 0.08 | 0.35 |
| 9150 | 0.05 | 0.76 | 0.36 | 0.55 |
| 9200 | 0.01 | 0.53 | 0.82 | 0.82 |
| 9250 | 0 | 0.35 | 1.31 | 1.14 |
| 9300 | 0 | 0.22 | 1.81 | 1.51 |

Estimated volume total, Calls 4063 Puts 1737
Previous day's open int. Calls 160621 Puts 131059

**LIFFE EUROMARK OPTIONS**
DM1m points of 100%

| Strike Price | Calls-settlements Dec | Calls-settlements Mar | Puts-settlements Dec | Puts-settlements Mar |
|---|---|---|---|---|
| 9050 | 0.78 | 1.80 | 0.01 | 0.01 |
| 9075 | 0.54 | 1.56 | 0.02 | 0.02 |
| 9100 | 0.32 | 1.32 | 0.05 | 0.03 |
| 9125 | 0.15 | 1.09 | 0.13 | 0.05 |
| 9150 | 0.07 | 0.86 | 0.30 | 0.07 |
| 9175 | 0.03 | 0.65 | 0.51 | 0.11 |
| 9200 | 0.02 | 0.48 | 0.75 | 0.19 |
| 9225 | 0.01 | 0.33 | 0.99 | 0.29 |

Estimated volume total, Calls 7759 Puts 6034
Previous day's open int. Calls 169414 Puts 112925

**LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS**
Lira 200m 100ths of 100%

| Strike Price | Calls-settlements Dec | Calls-settlements Mar | Puts-settlements Dec | Puts-settlements Mar |
|---|---|---|---|---|
| 9350 | 1.53 | 2.78 | 0.01 | 0.78 |
| 9400 | 1.06 | 2.45 | 0.04 | 0.95 |
| 9450 | 0.64 | 2.14 | 0.12 | 1.14 |
| 9500 | 0.30 | 1.86 | 0.28 | 1.36 |
| 9550 | 0.10 | 1.60 | 0.58 | 1.60 |
| 9600 | 0.04 | 1.37 | 1.02 | 1.87 |
| 9650 | 0.02 | 1.16 | 1.50 | 2.16 |
| 9700 | 0.01 | 0.97 | 1.99 | 2.47 |

Estimated volume total, Calls 161 Puts 57
Previous day's open int. Calls 19516 Puts 12175

**LIFFE SHORT STERLING OPTIONS**
£500,000 points of 100%

| Strike Price | Calls-settlements Dec | Calls-settlements Mar | Puts-settlements Dec | Puts-settlements Mar |
|---|---|---|---|---|
| 9225 | 0.89 | 1.56 | 0.01 | 0.02 |
| 9250 | 0.65 | 1.32 | 0.02 | 0.03 |
| 9275 | 0.43 | 1.09 | 0.05 | 0.05 |
| 9300 | 0.25 | 0.87 | 0.12 | 0.08 |
| 9325 | 0.12 | 0.67 | 0.24 | 0.13 |
| 9350 | 0.07 | 0.49 | 0.44 | 0.20 |
| 9375 | 0.03 | 0.34 | 0.65 | 0.30 |
| 9400 | 0.01 | 0.23 | 0.88 | 0.44 |

Estimated volume total, Calls 8192 Puts 4473
Previous day's open int. Calls 152465 Puts 151089

**LIFFE EURO SWISS FRANC OPTIONS**
SFR 1m points of 100%

| Strike Price | Calls-settlements Dec | Calls-settlements Mar | Puts-settlements Dec | Puts-settlements Mar |
|---|---|---|---|---|
| 9300 | 0.37 | 1.00 | 0.11 | 0.14 |
| 9325 | 0.22 | 0.81 | 0.21 | 0.20 |
| 9350 | 0.12 | 0.63 | 0.36 | 0.27 |

Estimated volume total, Calls 0 Puts 335
Previous day's open int. Calls 1775 Puts 3624

### LONDON (LIFFE)

**9% NOTIONAL BRITISH GILT ***
£50,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 100-07 | 100-15 | 99-13 | 99-23 |
| Mar | 99-19 | 99-17 | 98-26 | 99-03 |

Estimated volume 34348 (33753)
Previous day's open int. 52977 (52493)

**US TREASURY BONDS 8% ***
$100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 103-27 | 103-29 | 103-21 | 103-17 |
| Mar | 102-23 | | | 102-13 |

Estimated volume 55 (274)
Previous day's open int. 1164 (1394)

**6% NOTIONAL GERMAN GOVT. BOND ***
DM250,000 100ths of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 91.19 | 91.30 | 90.96 | 90.98 |
| Mar | 91.71 | 91.80 | 91.50 | 91.50 |

Estimated volume 26023 (62634)
Previous day's open int. 157574 (152117)

**6% NOTIONAL LONG TERM JAPANESE GOVT. BOND**
Y100m 100ths of 100%

| | Close | High | Low |
|---|---|---|---|
| Dec | 107.95 | 108.09 | 107.94 |
| Mar | 107.37 | 107.51 | 107.34 |

Estimated volume 1463 (1662)
Traded exclusively on APT

**12% NOTIONAL ITALIAN GOVT. BOND (BTP) ***
LIRA 200m 100ths of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 95.02 | 95.20 | 94.65 | 94.89 |
| Mar | 95.50 | 95.40 | 95.17 | 95.39 |

Estimated volume 6403 (9061)
Previous day's open int. 25900 (25639)

**THREE MONTH STERLING ***
£500,000 points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 93.13 | 93.17 | 93.04 | 93.08 |
| Mar | 93.79 | 93.85 | 93.69 | 93.77 |
| Jun | 93.99 | 94.02 | 93.89 | 93.94 |
| Sep | 93.79 | 93.78 | 93.71 | 93.76 |
| Dec | 93.50 | 93.47 | 93.43 | 93.46 |
| Mar | 93.17 | 93.15 | 93.10 | 93.14 |

Est. Vol. (inc. figs. not shown) 36751 (31240)
Previous day's open int. 250942 (255209)

**THREE MONTH EURODOLLAR ***
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 96.02 | 96.02 | 96.00 | 95.95 |
| Mar | 96.16 | 96.16 | 96.14 | 96.11 |
| Jun | 95.81 | 95.82 | 95.78 | 95.72 |
| Sep | 95.38 | 95.39 | 95.37 | 95.30 |

Est. Vol. (inc. figs. not shown) 3603 (2201)
Previous day's open int. 27961 (27930)

**THREE MONTH EUROMARK ***
DM 1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 91.27 | 91.31 | 91.20 | 91.23 |
| Mar | 92.29 | 92.34 | 92.15 | 92.17 |
| Jun | 92.97 | 93.00 | 92.81 | 92.82 |
| Sep | 93.37 | 93.37 | 93.20 | 93.21 |
| Dec | 93.54 | 93.54 | 93.34 | 93.34 |
| Mar | 93.75 | 93.75 | 93.50 | 93.50 |

Estimated volume 49864 (54464)
Previous day's open int. 426439 (426527)

**THREE MONTH ECU**
ECU 1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 90.07 | 90.08 | 90.04 | 90.07 |
| Mar | 91.29 | 91.23 | 91.20 | 91.23 |
| Jun | 91.93 | 91.90 | 91.90 | 91.87 |
| Sep | 92.26 | | | 92.17 |

Estimated volume 564 (1427)
Previous day's open int. 12945 (12537)

**THREE MONTH EURO SWISS FRANC**
SFR 1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 93.26 | 93.31 | 93.00 | 93.09 |
| Mar | 93.86 | 93.93 | 93.64 | 93.70 |
| Jun | 94.40 | 94.40 | 94.25 | 94.22 |
| Sep | 94.54 | 94.52 | 94.38 | 94.35 |

Estimated volume 25230 (14472)
Previous day's open int. 40833 (40065)

**THREE MONTH EUROLIRA INT. RATE**
LIRA 1,000m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 86.47 | 86.47 | 86.38 | 86.38 |
| Mar | 87.80 | 87.81 | 87.67 | 87.76 |
| Jun | 88.18 | 88.20 | 88.11 | 88.15 |
| Sep | 88.32 | | | 88.27 |

Estimated volume 1115 (1181)
Previous day's open int. 22468 (22924)

**FT-SE 100 INDEX ***
£25 per full index point

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 2729.5 | 2746.0 | 2672.0 | 2694.5 |
| Mar | 2749.5 | 2734.5 | 2698.5 | 2704.5 |
| Jun | 2764.5 | | | 2720.0 |

Estimated volume 8780 (6715)
Previous day's open int. 42911 (43607)

* Contracts traded on APT. Closing prices shown.

**POUND - DOLLAR**

FT FOREIGN EXCHANGE RATES

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.5210 | 1.5158 | 1.5083 | 1.4991 | 1.4855 |

### CHICAGO

**U.S. TREASURY BONDS (CBT) 8%**
$100,000 32nds of 100%

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 103-27 | 103-20 | 103-18 | 103-21 |
| Mar | 102-23 | 102-26 | 102-14 | 102-16 |
| Jun | 101-16 | 101-18 | 101-10 | 101-10 |
| Sep | 100-05 | 100-07 | 100-05 | 100-06 |
| Dec | 99-10 | 99-10 | 99-09 | 99-04 |
| Mar | 98-04 | 98-04 | 98-02 | 98-05 |
| Jun | 97-08 | - | - | 97-08 |
| Sep | 96-13 | - | - | 96-13 |
| Dec | 95-21 | - | - | 95-21 |

**U.S. TREASURY BILLS (IMM)**
$1m points of 100%

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 96.80 | 96.81 | 96.79 | 96.78 |
| Mar | 96.64 | 96.66 | 96.64 | 96.62 |
| Jun | 96.29 | - | - | 96.29 |
| Sep | 95.89 | - | - | 95.89 |

**BRITISH POUND (IMM)**
$s per £

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 1.5174 | 1.5200 | 1.5166 | 1.5170 |
| Mar | 1.5080 | 1.5100 | 1.5050 | 1.5062 |
| Jun | 1.4980 | 1.4980 | 1.4980 | 1.4970 |

**SWISS FRANC (IMM)**
SFr 125,000 $ per SFr

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 0.6878 | 0.6904 | 0.6870 | 0.6888 |
| Mar | 0.6837 | 0.6855 | 0.6820 | 0.6837 |
| Jun | 0.6795 | - | - | 0.6795 |

**JAPANESE YEN (IMM)**
Y12.5m $ per Y100

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 0.8040 | 0.8048 | 0.8033 | 0.8041 |
| Mar | 0.8045 | 0.8100 | 0.8045 | 0.8051 |
| Jun | 0.8063 | - | - | 0.8063 |

**DEUTSCHE MARK (IMM)**
DM125,000 $ per DM

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 0.6270 | 0.6287 | 0.6245 | 0.6252 |
| Mar | 0.6196 | 0.6213 | 0.6189 | 0.6179 |
| Jun | 0.6119 | - | - | 0.6119 |
| Sep | 0.6075 | - | - | 0.6075 |

**THREE-MONTH EURODOLLAR (IMM)**
$1m points of 100%

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 96.01 | 96.02 | 95.96 | 95.95 |
| Mar | 96.16 | 96.17 | 96.11 | 96.10 |
| Jun | 95.81 | 95.82 | 95.76 | 95.73 |
| Sep | 95.39 | 95.40 | 95.35 | 95.30 |
| Dec | 94.74 | 94.74 | 94.70 | 94.66 |
| Mar | 94.49 | 94.51 | 94.48 | 94.43 |
| Jun | 94.12 | 94.12 | 94.10 | 94.06 |
| Sep | 93.83 | 93.83 | 93.90 | 93.76 |

**STANDARD & POORS 500 INDEX**
$500 times index

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 420.00 | 420.20 | 419.70 | 419.50 |
| Mar | 420.80 | 420.90 | 420.60 | 420.35 |
| Jun | 421.10 | - | - | 421.10 |
| Sep | 422.10 | - | - | 422.10 |

**PHILADELPHIA SE £/$ OPTIONS**
£31,250 (cents per £1)

| Strike Price | Calls Dec | Calls Jan | Calls Feb | Calls Mar | Puts Dec | Puts Jan | Puts Feb | Puts Mar |
|---|---|---|---|---|---|---|---|---|
| 1.550 | 1.07 | 2.25 | 2.60 | - | 4.26 | 5.67 | 6.52 | - |
| 1.575 | 0.52 | 1.37 | 1.88 | 2.35 | 6.23 | 7.46 | 8.25 | - |
| 1.600 | 0.17 | 0.85 | 1.30 | 1.75 | 8.39 | 9.41 | 10.17 | 10.88 |
| 1.625 | 0.06 | 0.50 | 0.85 | 1.26 | 10.73 | 11.56 | 12.18 | 12.88 |
| 1.650 | 0.03 | 0.27 | 0.54 | 0.92 | 13.10 | 13.82 | 14.36 | 15.00 |
| 1.675 | 0.01 | 0.13 | 0.32 | 0.48 | 15.56 | 16.12 | 16.63 | 17.20 |
| 1.700 | - | 0.06 | 0.17 | 0.35 | 18.09 | 18.57 | 19.11 | 19.48 |

Previous day's open int: Calls 564,784 Puts 624,922 (All currencies)
Previous day's volume: Calls 18,110 Puts 49,326 (All currencies)

### PARIS

**7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES**

| | Open | Sett price | Change | High | Low | † Yield | † Open int. |
|---|---|---|---|---|---|---|---|
| December | 110.64 | 110.70 | +0.16 | 110.72 | 110.40 | 8.09 | 182,317 |
| March | 111.42 | 111.44 | +0.14 | 111.42 | 111.16 | 8.28 | 74,094 |
| June | 111.80 | 111.86 | +0.18 | 111.80 | 111.62 | 8.23 | 15,220 |

Estimated volume 79,998 † Total Open Interest 272,831

**THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| December | 90.73 | 90.73 | -0.01 | 90.75 | 90.71 | 9.26 | 37,301 |
| March | 91.71 | 91.68 | -0.02 | 91.73 | 91.66 | 8.30 | 54,586 |
| June | 92.27 | 92.28 | - | 92.30 | 92.25 | 7.72 | 26,575 |
| September | 92.52 | 92.50 | -0.01 | 92.53 | 92.48 | 7.49 | 16,565 |

Estimated volume 18,601 † Total Open Interest 146,919

**CAC-40 FUTURES (MATIF) Stock Index**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| November | 1780.0 | 1775.0 | -4.50 | 1789.0 | 1764.0 | - | 20,736 |
| December | 1797.0 | 1789.5 | -4.50 | 1803.0 | 1778.5 | - | 7,333 |
| January | 1812.0 | 1803.0 | -4.50 | 1812.0 | 1812.0 | - | 2,050 |
| March | 1840.0 | 1831.0 | -4.50 | 1840.0 | 1840.0 | - | 2,017 |

Estimated volume 14,159 † Total Open Interest 37,472

**ECU BOND (MATIF)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| December | 107.30 | 107.48 | +0.34 | 107.46 | 107.08 | 8.88 | 12,303 |

Estimated volume 3,469 † Total Open Interest 13,991

**OPTION ON LONG-TERM FRENCH BOND (MATIF)**

| Strike | Calls December | Calls March | Calls June | Puts December | Puts March | Puts June |
|---|---|---|---|---|---|---|
| 108 | 2.70 | - | - | - | 0.24 | - |
| 109 | - | - | - | 0.02 | 0.39 | 0.68 |
| 110 | 0.75 | - | - | 0.08 | 0.62 | 0.93 |
| 111 | 0.13 | 1.35 | - | 0.46 | 0.95 | - |
| 112 | 0.03 | 0.84 | - | - | - | 1.69 |
| Open int | 227,328 | 160,892 | 17,812 | 233,548 | 114,553 | 9,480 |

Estimated volume 26,511 † Total Open Interest 763,613
† All Yield & Open interest figures are for the previous day.

## MONEY MARKET FUNDS

# Money Market Trust Funds

| | Gross | Net | Gross CAR | Int Cr |
|---|---|---|---|---|
| **CAF Money Management Co Ltd** | | | | |
| 48 Pembury Road, Tonbridge TN9 2JD 0732 770114 | | | | |
| Cafcash Deposit Fund | 6.99 | - | 7.17 | 3 Mth |
| Deposits Over £1 million | 7.09 | - | 7.28 | 3 Mth |
| Deposits Over £2 million | 7.19 | - | 7.38 | 3 Mth |
| **The COIF Charities Deposit Account** | | | | |
| 2 Fore Street, London EC2Y 5AQ 071-588 1815 | | | | |
| Deposit | 7.50 | - | 7.71 | 3-Mth |
| **Cent. Bd. of Fin. of Church of England‡‡** | | | | |
| 2 Fore Street, London EC2Y 5AQ 071-588 1815 | | | | |
| Deposit | 7.60 | - | 7.82 | 3-Mth |
| **Gartmore Money Management Ltd** | | | | |
| 16-18 Monument St, London EC3R 8QQ 071-236 1425 | | | | |
| TESSA Desk 071-236 9362 | | | | |
| Call Fnd | 6.27 | 4.70 | 6.36 | 6-Mth |
| 7-day Fund | 6.47 | 4.85 | 6.57 | 6-Mth |
| Special Fund | 6.32 | 4.74 | 6.50 | 1-Mth |
| Dollar | 1.94 | 1.46 | 1.95 | 3-Mth |
| TESSA Prime | 7.01 | - | 7.20 | 3-Mth |
| TESSA Plus | - | - | - | - |
| TESSA Saver | - | - | - | - |

# Money Market Bank Accounts

| | Gross | Net | Gross CAR | Int Cr |
|---|---|---|---|---|
| **AIB Bank High Interest Cheque Account** | | | | |
| Belmont Rd, Uxbridge UB8 1SA 0800 282115 | | | | |
| £2,500-£9,999 | 3.25 | 2.44 | 3.29 | Qtr |
| £10,000+ | 4.70 | 3.52 | 4.79 | Qtr |
| **Aitken Hume Bank plc** | | | | |
| 30 City Road, EC1Y 2AY 071-638 6070 | | | | |
| Treasury Acc. | 5.50 | 4.125 | 5.61 | Qtr |
| MM Int Chq £1,000-£4,999 | 5.50 | 4.125 | 5.64 | Mth |
| MM Int Chq £5,000-£49,999 | 6.00 | 4.50 | 6.17 | Mth |
| MM Int Chq £50,000+ | 6.50 | 4.875 | 6.70 | Mth |
| **Allied Trust Bank Ltd** | | | | |
| 97-101 Cannon St, London, EC4N 5AD 071-626 0879 | | | | |
| TREMNA (£2,001+) | 8.84 | 6.63 | 8.84 | Yearly |
| TOMNA (£2,001+) | 8.30 | 6.22 | 8.30 | Yearly |
| OMNA (£2,001+) | 7.98 | 5.98 | 7.98 | Yearly |
| HICA (£2,001+) | 6.60 | 4.95 | 6.80 | Mth |
| Premier TESSA | 10.58 | 7.94 | 10.58 | Yearly |
| **American Express Bank Ltd** | | | | |
| Sussex House, Burgess Hill, West Sussex, RH15 9AW 0444 232444 | | | | |
| High Performance Cheque Account | | | | |
| Cardmembers | | | | |
| £500-£999 | 2.50 | 1.88 | 2.53 | Mth |
| £1,000-£4,999 | 6.50 | 4.88 | 6.70 | Mth |
| £5,000-£9,999 | 6.75 | 5.06 | 6.96 | Mth |
| £10,000-£24,999 | 7.00 | 5.25 | 7.23 | Mth |
| £25,000-£49,999 | 7.25 | 5.44 | 7.50 | Mth |
| £50,000-£99,999 | 7.75 | 5.81 | 8.03 | Mth |
| £100,000+ | 7.75 | 5.81 | 8.03 | Mth |
| **Bank of Ireland High Interest Cheque Acc** | | | | |
| 36-40 High St, Slough SL1 1EL 0753 516516 | | | | |
| £10,000+ | 5.25 | 3.94 | 5.35 | Qtr |
| £2,000-£9,999 | 5.00 | 3.75 | 5.10 | Qtr |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH 071-601 6446 | | | | |
| MM Chq Acc £2,500-£24,999 | 5.64 | 4.23 | 5.79 | Mth |
| £25,000+ | 5.88 | 4.41 | 6.04 | Mth |
| **Bank of Wales – Business Accounts** | | | | |
| Kingsway, Cardiff CF1 4YB 0222 229922 | | | | |
| Current Account £25,000+ | 5.00 | - | 5.09 | Qtr |
| Investment Account £25,000+ | 5.50 | - | 5.64 | Mth |
| **Barclays Select** | | | | |
| PO Box 120, Westwood Bs Pk, Coventry 0800 400100 | | | | |
| £2,000-£9,999 | 5.60 | 4.20 | 5.60 | Yearly |
| £10,000-£24,999 | 6.60 | 4.95 | 6.60 | Yearly |
| £25,000-£49,999 | 6.90 | 5.18 | 6.90 | Yearly |
| £50,000+ | 7.50 | 5.63 | 7.50 | Yearly |
| **Barclays Prime Account H.I.C.A.** | | | | |
| PO Box 125, Northampton 0604 252891 | | | | |
| £1,000-£2,499 | 3.00 | 2.25 | 3.03 | Qtr |
| £2,500-£9,999 | 3.50 | 2.63 | 3.55 | Qtr |
| £10,000-£24,999 | 4.00 | 3.00 | 4.06 | Qtr |
| £25,000+ | 4.40 | 3.30 | 4.48 | Qtr |
| **Brown Shipley & Co Ltd** | | | | |
| Founders Court, Lothbury, London EC2 071-606 9833 | | | | |
| HICA | 4.50 | 6.00 | 6.15 | Qtr |
| Prof Demand A/c | 4.50 | 6.00 | 6.15 | Qtr |
| **Caledonian Bank Plc** | | | | |
| 8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235 | | | | |
| HICA | 6.5 | 4.875 | - | Yearly |
| **Cater Allen Ltd** | | | | |
| 20 Birchin Lane, London EC3V 9DJ 071-623 2070 | | | | |
| HICA | 5.75 | 4.3125 | 5.90 | Mth |
| Comport £5,000 min | 6.375 | 4.78 | 6.57 | Mth |
| TESSA | 6.50 | - | 6.70 | Mth |
| **Charterhouse Bank Limited** | | | | |
| 1 Paternoster Row, EC4M 7DH 071-248 4000 | | | | |
| £2,500-£19,999 | 5.75 | 4.31 | 5.90 | Mth |
| £20,000-£49,999 | 6.00 | 4.50 | 6.17 | Mth |
| £50,000-£99,999 | 6.25 | 4.69 | 6.43 | Mth |
| £100,000+ | 6.50 | 4.88 | 6.70 | Mth |
| $5,000-$49,999 | 1.50 | 1.13 | 1.51 | Mth |
| $50,000-$99,999 | 2.00 | 1.50 | 2.02 | Mth |
| $100,000-$199,999 | 2.25 | 1.69 | 2.27 | Mth |
| $200,000+ | 2.50 | 1.88 | 2.53 | Mth |
| Many other currencies are available – for rates please phone ext. 2160 | | | | |
| **Clydesdale Bank Flexible Solution Acc** | | | | |
| 30 St Vincent Place, Glasgow G1 2HL 041 248 7070 | | | | |
| £10,000-£29,999 | 5.15 | 3.86 | 5.25 | Qtr |
| £30,000-£99,999 | 5.25 | 3.94 | 5.35 | Qtr |
| £100,000-£199,999 | 5.35 | 4.01 | 5.46 | Qtr |
| **Confederation Bank Limited** | | | | |
| PO Box 104, Primett Rd, Stevenage 0438 744500 | | | | |
| [illegible] £25,000+ | 8.50 | 6.375 | 8.68 | 6-Mth |
| H.I.C.A. £25,000+ | 7.70 | 5.775 | 7.75 | Yearly |
| 1 Yr Fixed Rate £1,000+ | 8.60 | 6.450 | 8.60 | Yearly |
| 5 Yr Fixed Rate £1,000+ | 7.50 | 5.625 | 7.50 | Yearly |
| **Co-operative Bank** | | | | |
| PO Box 300, Skelmersdale, Lancs 0345 252000 | | | | |
| TESSA | | | | |
| TESSA | 7.00 | - | - | Yearly |
| Pathfinder – Card Based Current Account | | | | |
| All Balances | 6.81 | 5.11 | 7.03 | Mth |
| Investment 30 – 90 Day Notice Savings | | | | |
| £50,000+ | 6.75 | 5.06 | 6.86 | 6-Mth |
| £25,000-£49,999 | 6.25 | 4.69 | 6.35 | 6-Mth |
| £10,000-£24,999 | 5.75 | 4.31 | 5.83 | 6-Mth |
| £5,000-£9,999 | 4.75 | 3.56 | 4.81 | 6-Mth |
| Top Tier – Instant Access Savings | | | | |
| £50,000+ | 5.50 | 4.13 | 5.58 | 6-Mth |
| £10,000-£49,999 | 5.00 | 3.75 | 5.06 | 6-Mth |
| £5,000-£9,999 | 4.00 | 3.00 | 4.04 | 6-Mth |
| £1,000-£4,999 | 3.00 | 2.25 | 3.02 | 6-Mth |
| £1-£999 | 1.50 | 1.13 | 1.51 | 6-Mth |

| | Gross | Net | Gross CAR | Int Cr |
|---|---|---|---|---|
| **Coutts & Co** | | | | |
| Reserve Account | | | | |
| 15 Lombard St, London EC3V 9AU 071-623 1023 | | | | |
| For personal customers | | | | |
| £50,000+ | 5.00 | 3.75 | 5.10 | Qtr |
| £20,000-£49,999 | 4.50 | 3.375 | 4.58 | Qtr |
| £5,000-£19,999 | 4.00 | 3.00 | 4.06 | Qtr |
| For businesses, charities and societies | | | | |
| £100,000-£1,000,000 | 4.50 | 3.375 | 4.58 | Qtr |
| £25,000-£99,999 | 4.25 | 3.19 | 4.32 | Qtr |
| £10,000-£24,999 | 3.50 | 2.625 | 3.55 | Qtr |
| Coutts Composite Account for clients money | | | | |
| 27 Bush Lane, London EC4R 0AA 071-623 3434 | | | | |
| Rates negotiable up to | 6.688 | - | - | - |
| **Dao Heng Bank (London) PLC Premier Acc** | | | | |
| 86 Newman Street, W1P 3LD 071-637 3313 | | | | |
| £2,500-£10,000 | 6.50 | 4.88 | 6.66 | Qtr |
| £10,001-£20,000 | 6.75 | 5.06 | 6.92 | Qtr |
| £20,000+ | 7.50 | 5.63 | 7.71 | Qtr |
| **Davenham Tst Plc–Davenham 500 Acc** | | | | |
| 8 St John St, Manchester M3 4DU 061 832 8484 | | | | |
| £10,000+ 6 Mths | 10.00 | 7.50 | - | 6-Mth |
| £10,000+ 1 Year | 10.00 | 7.50 | - | Yearly |
| **Fidelity Money Market Account** | | | | |
| Fidelity Brokerage Services Ltd, Oakhill House, Hildenborough, Kent TN11 9DZ | | | | |
| £1-£49,999 | 5.50 | 4.125 | 5.61 | Qtr |
| £50,000-£249,999 | 6.00 | 4.50 | 6.14 | Qtr |
| £250,000-£499,999 | 6.625 | 4.969 | 6.79 | Qtr |
| £500,000+ Money Market Rates on request | | | | |
| **Gartmore Money Management Ltd** | | | | |
| 16-18 Monument St London EC3R 8QQ 071-236 1425 | | | | |
| HICA £10,000+ | 5.75 | 4.31 | 5.87 | 3-Mth |
| **Halifax Bldg Soc Asset Reserve Cheque Acc** | | | | |
| Trinity Road, Halifax HX1 2RG 0422 335333 | | | | |
| £5,000-£9,999 | 6.15 | 4.61 | 6.29 | Qtr |
| £10,000-£24,999 | 6.85 | 5.14 | 7.03 | Qtr |
| £25,000-£49,999 | 7.20 | 5.40 | 7.40 | Qtr |
| £50,000 and above | 8.00 | 6.00 | 8.24 | Qtr |
| **Julian Hodge Bank Ltd** | | | | |
| 10 Windsor Place Cardiff CF1 3BX 0222 220800 | | | | |
| 6 Mth Fixed Rate Dep Acc | 8.00 | 6.00 | - | - |
| Extra High Interest Deposit Account | | | | |
| £50,000+ | 7.75 | 5.81 | 7.98 | Qtr |
| £10,000+ | 7.50 | 5.63 | 7.71 | Qtr |
| £5,000+ | 7.00 | 5.25 | 7.19 | Qtr |
| **Humberclyde Finance Group** | | | | |
| 5 Bartley Way Hook Basingstoke 0256 760000 | | | | |
| £50,000+ | 7.00 | 5.25 | 7.19 | Qtr |
| **Leopold Joseph & Sons Limited** | | | | |
| 29 Gresham Street, London EC2V 7EA 071 588 2323 | | | | |
| Treasury High Interest Cheque Account | | | | |
| £25,001-£100,000 | 6.50 | 4.875 | 6.6603 | Qtr |
| £100,001 plus | 6.75 | 5.0625 | 6.9230 | Qtr |
| **Kleinwort Benson Ltd** | | | | |
| 158 Kentish Town Rd, London NW5 2BT 071 267 1586 | | | | |
| H.I.C.A. (£2,500+) | 6.25 | 4.69 | 6.43 | Daily |
| **Lloyds Bank – Investment Account** | | | | |
| 71 Lombard St, London EC3P 3BS 0272 433372 | | | | |
| £50,000 and above | 6.00 | 4.50 | 6.00 | Yearly |
| £25,000+ | 5.70 | 4.28 | 5.70 | Yearly |
| £10,000+ | 5.50 | 4.13 | 5.50 | Yearly |
| **Midland Bank plc** | | | | |
| PO Box 2, Sheffield 0742 529394 | | | | |
| Exchequer Acc £5000+ | 6.25 | 4.69 | 6.25 | Yearly |
| £10,000+ | 7.00 | 5.25 | 7.00 | Yearly |
| £25,000+ | 7.50 | 5.63 | 7.50 | Yearly |
| £50,000+ | 8.50 | 6.38 | 8.50 | Yearly |
| TESSA | 7.75 | - | 7.75 | Yearly |
| **NatWest Crown Reserve Account** | | | | |
| 41 Lothbury, London, EC2P 2BP 0800 200 400 | | | | |
| £50,000+ | 6.75 | 5.06 | 6.92 | Qtr |
| £25,000-£49,999 | 6.375 | 4.78 | 6.53 | Qtr |
| £10,000 to £24,999 | 5.875 | 4.41 | 6.01 | Qtr |
| £2,000-£9,999 | 5.375 | 4.03 | 5.48 | Qtr |
| **Nationwide Bldg Soc – BusinessInvestor** | | | | |
| Business High Interest Cheque Account | | | | |
| Pipers Way, Swindon SN38 1NW 0800 335599 | | | | |
| £2,000-£4,999 | 5.70 | 4.28 | 5.82 | Qtr |
| £5,000-£9,999 | 6.20 | 4.65 | 6.35 | Qtr |
| £10,000-£24,999 | 6.70 | 5.03 | 6.87 | Qtr |
| £25,000-£49,999 | 7.20 | 5.40 | 7.40 | Qtr |
| £50,000+ | 7.70 | 5.78 | 7.93 | Qtr |
| **Portman Bldg Soc Prestige Cheque Account** | | | | |
| Richmond Hill, Bournemouth. BH2 6EP 0800 663663 | | | | |
| £50,000+ | 8.00 | 6.00 | 8.00 | Yearly |
| £30,000-£49,999 | 7.00 | 5.25 | 7.00 | Yearly |
| £20,000-£29,999 | 6.00 | 4.50 | 6.00 | Yearly |
| £10,000-£19,999 | 5.00 | 3.75 | 5.00 | Yearly |
| £2,500-£9,999 | 4.00 | 3.00 | 4.00 | Yearly |
| **Provincial Bank PLC** | | | | |
| 30 Ashley Rd Altrincham, Cheshire 061-928 9011 | | | | |
| H.I.C.A. (£1,000+) | 5.50 | 4.13 | 5.64 | Mth |
| **Royal Bank of Scotland plc Premium Acc** | | | | |
| 42 St Andrew Sq, Edinburgh EH2 2YE 031-228 5650 | | | | |
| £50,000+ | 6.00 | 4.50 | 6.14 | Qtr |
| £25,000-£49,999 | 5.60 | 4.20 | 5.72 | Qtr |
| £10,000-£24,999 | 5.00 | 3.75 | 5.09 | Qtr |
| £5,000-£9,999 | 3.50 | 2.63 | 3.54 | Qtr |
| £2,000-£4,999 | 3.00 | 2.25 | 3.03 | Qtr |
| **Save & Prosper/Robert Fleming** | | | | |
| 16-22 Western Rd, Romford RM1 3LB 0800 282101 | | | | |
| Client Account | 5.50 | 4.13 | 5.65 | Daily |
| TESSA Fixed 1 Year | 5.60 | - | 5.75 | Mth |
| TESSA Variable | 6.31 | - | 6.50 | Mth |
| **Sterling Bank & Trust Ltd** | | | | |
| Abbey Gdns, 4 Abbey St, Reading RG1 3BA 0734 592943 | | | | |
| HIDA £2,500+ | 10.00 | 7.50 | 10.25 | 6-Mth |
| **Tyndall & Co Ltd** | | | | |
| 29-33 Princess Victoria St, Bristol 0272 744720 | | | | |
| Demand Acc | 06.00 | 4.50 | 06.14 | Qtr |
| HIMA £1,000+ | 05.75 | 4.31 | 05.88 | Qtr |
| HIMA £100,000+ | 06.00 | 4.50 | 06.14 | Qtr |
| Master Plus | 05.75 | 4.31 | 05.88 | Qtr |
| TESSA | 06.50 | - | 06.66 | Qtr |
| **ULC Trust Limited** | | | | |
| 1 Great Cumberland Pl, London W1H 7AL 071-258 0094 | | | | |
| £10,000-90 day notice | 9.00 | 6.75 | 9.31 | 3-Mth |
| £10,000-180 day notice | 9.75 | 7.31 | 9.99 | 6-Mth |
| **United Dominions Trust Ltd** | | | | |
| PO Box 135, Abbey St, Reading RG1 3EB 0734 580411 | | | | |
| Capital Plus Cheque Account | | | | |
| £1,000+ | 6.25 | 4.69 | 6.40 | Qtr |
| **J. Henry Schroder Wagg & Co Ltd** | | | | |
| 120 Cheapside, London EC2V 6DS 071-382 6000 | | | | |
| Special Acc | 5.875 | 4.41 | 6.00 | Mth |
| £10,000 and above | 6.125 | 4.59 | 6.30 | Mth |
| **Western Trust High Interest Cheque Acc** | | | | |
| The Moneycentre, Plymouth PL1 1SE 0752 224141 | | | | |
| £15,000+ | 6.50 | 4.88 | 6.66 | Qtr |
| £5,000-£14,999 | 6.25 | 4.69 | 6.40 | Qtr |
| £1,000-£4,999 | 6.00 | 4.50 | 6.14 | Qtr |
| **Wimbledon & South West Finance PLC** | | | | |
| 114 Newgate St, London EC1 7AE 071-606 9485 | | | | |
| High Int Cheque Acc | 6.75 | 5.06 | 6.92 | Qtr |

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

## MONEY MARKETS

# European rate cuts

BOTH the Belgian and Dutch central banks pushed money market dealing rates below those of Germany yesterday because of the D-Mark's weaker position in the European Monetary System grid, *writes James Blitz*.

The move led to a rise in short-dated Euromark futures, as dealers expected that the move might make bring forward the time when German official rates could be eased again.

**UK clearing bank base lending rate**
**7 per cent**
**from November 13, 1992**

Otherwise, money markets in both Germany and the UK were extremely calm. The German cash market was closed for the one day prayer and repentance holiday. Sterling dealers appeared to be taking a breather in the wake of the third successive base rate cut in two months. Their attention was focused on the Bank of England's decision to roll over the special funding facilities that it is offering banks following the massive intervention to support sterling on Black Wednesday.

The easing of official dealing rates in Holland and Belgium was caused by the very strong position of both the Belgian franc and the Dutch guilder in the ERM in recent weeks.

Both countries' central banks are committed to keeping their currencies within tight ranges against the D-Mark.

To redress the balance, Belgium cut its overnight rate to 9.20 per cent from 9.25 per cent, while the special rate for primary dealers was cut to 8.70 per cent from 8.75 per cent.

The Dutch central bank cut its special advances rate to 8.70 per cent from 8.80 per cent in response to the strong guilder. However, the cuts had only a marginal effect on these currencies exchange rates against the D-Mark.

The moves forced up Euromark futures, because of increased expectation that Germany would ease rates. The March contract rose 16 basis points to a close of 92.33 on heavy volume.

In the sterling cash market, 3-month money eased to 7¼ per cent on the offered side from a previous close of 7⅜ per cent. The fall reflected the easier tone to the Bank of England's operations. A shortage of £950m was forecast and £475m was removed in the early round.

The Bank of England announced that it would continue to provide special facilities to the banking system to take effect on November 30 and mature on February 1. The new facilities will replace the ones currently in operation.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Nov 18) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 3 11/16 | offer 3 13/16 | bid 3 13/16 | offer 3 15/16 |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** Treasury Bills and Bonds

| Lunchtime | | | | | |
|---|---|---|---|---|---|
| | | One month | 3.04 | Three year | 5.12 |
| | | Two month | 3.05 | Five year | 5.99 |
| Prime rate | 6 | Three month | 3.22 | Seven year | 6.43 |
| Broker loan rate | 5 | Six month | 3.47 | 10-year | 6.81 |
| Fed.funds | 2⅞ | One year | 3.69 | 30-year | 7.53 |
| Fed funds at intervention | - | Two year | 4.59 | | |

| Nov.18 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 8.75-8.85 | 8.85-8.95 | 8.80-8.95 | 8.75-8.90 | 8.40-8.60 | 9.50 |
| Paris | 9¼-9⅛ | 9⅜-9¼ | - | 9⅞-9⅝ | - | 9.10 |
| Zurich | 6⅝-6⅜ | 6⅝-6¼ | - | 6⅝-6⅜ | - | - |
| Amsterdam | 8.75-8.81 | 8.76-8.84 | - | 8.76-8.84 | - | - |
| Tokyo | 3⅝-3⅜ | 3⅝-3⅜ | - | 3⅝-3⅜ | - | - |
| Milan | 13½-13¼ | 13¾-13½ | - | 14-14⅛ | - | - |
| Brussels | 8¾-8⅝ | 8⅞-8⅝ | - | 8⅞-8⅝ | - | - |
| Dublin | 13¾-13½ | 14½-14¼ | 14½-14¼ | 14½-14¼ | 12⅞-13⅜ | - |

### LONDON MONEY RATES

| Nov 18 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 7⅛ | 7⅛ | 7⅛ | 7⅛ | 6 15/16 | 6 13/16 |
| Interbank Bid | 6½ | 6⅞ | 7 | 7⅛ | 6⅞ | 6⅝ |
| Sterling CDs | - | - | 7⅛ | 7⅛ | 6⅞ | 6⅝ |
| Local Authority Deps. | 7 | 7 | 7⅛ | 7⅛ | 6 11/16 | 6⅝ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 6¾ | 7 | - | - | - | - |
| Company Deposits | - | - | - | - | - | - |
| Finance House Deposits | - | - | 7⅛ | 7 | 6¾ | 6⅞ |
| Treasury Bills (Buy) | - | - | 6 13/16 | 6 13/16 | 6½ | - |
| Bank Bills (Buy) | - | - | 6 15/16 | 6 15/16 | 6¾ | - |
| Fine Trade Bills (Buy) | - | - | - | - | - | - |
| Dollar CDs | - | - | 3.17 | 3.47 | 3.58 | 3.91 |
| SDR Linked Dep. Offer | - | - | 5⅜ | 5⅜ | 5½ | 5⅝ |
| SDR Linked Dep. Bid | - | - | 5⅛ | 5⅛ | 5¼ | 5⅜ |
| ECU Linked Dep. Offer | - | - | 10⅜ | 10¼ | 9⅞ | 9⅛ |
| ECU Linked Dep. Bid | - | - | 10⅛ | 10 | 9⅝ | 8⅞ |

Treasury Bills (sell): one-month 6 11/16 per cent; three months 6⅝ per cent; six months 6⅜ per cent; Bank Bills (sell): one-month 6 13/16 per cent; three months 6 13/16 per cent; Treasury Bills: Average tender rate of discount 6.4491. ECGD Fixed Rate Sterling Export Finance. Make up day October 30, 1992. Agreed rates for period November 25, 1992 to December 25, 1992, Scheme I: 9.77 p.c., Schemes II & III: 9.63 p.c. Reference rate for period October 1, 1992 to October 30, 1992, Scheme IV&V: 8.454 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ from November 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 4¾ per cent; one-three months 7 per cent; three-six months 6½ per cent; six-nine months 6¼ per cent; nine-twelve months 6 per cent; Under £100,000 4¾ per cent from Oct 20, 1992. Deposits withdrawn for cash 4 per cent.

### BASE LENDING RATES

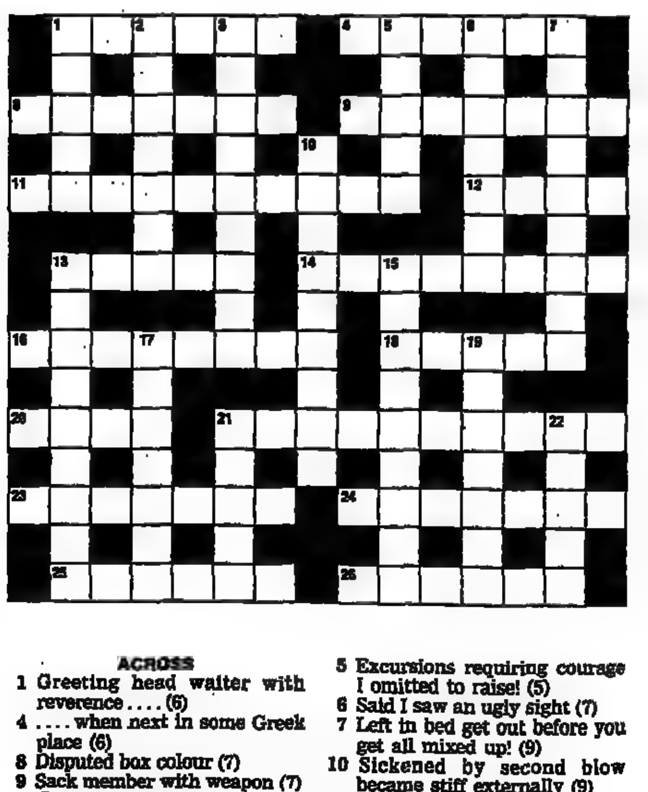
| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 7 | Crédit Lyonnais | 7 | McDonnell Douglas Bnk | 7 |
| Allied Trust Bank | 8 | Cyprus Popular Bk | 7 | Midland Bank | 7 |
| AIB Bank | 7 | Duncan Lawrie | 7 | Mount Banking | 8 |
| ● Henry Ansbacher | 7 | Equatorial Bank plc | 7 | NatWestminster | 7 |
| B & C Merchant Bank | 13 | Exeter Bank Limited | 8.5 | Northern Bank Ltd | 7 |
| Bank of Baroda | 7 | Financial & Gen. Bank | 8 | Nykredit Mortgage Bank | 8.5 |
| Banco Bilbao Vizcaya | 7 | ● Robert Fleming & Co. | 7 | ● Rea Brothers | 7 |
| Bank of Cyprus | 7 | Girobank | 7 | Roxburghe Bank Ltd. | 10 |
| Bank of Ireland | 7 | ● Guinness Mahon | 7 | Royal Bk of Scotland | 7 |
| Bank of India | 7 | Habib Bank AG Zurich | 7 | ● Smith & Williamson Secs. | 7 |
| Bank of Scotland | 7 | ● Hambros Bank | 7 | Standard Chartered | 7 |
| Banque Belge Ltd | 7 | Hampshire Trust Plc | 13.5 | TSB | 7 |
| Barclays Bank | 7 | Heritable & Gen Inv Bnk | 8 | Unibank plc | 7 |
| Brit Bk of Mid East | 7 | ● Hill Samuel | 7 | ● United Bk of Kuwait | 8 |
| ● Brown Shipley | 7 | C. Hoare & Co. | 7 | Unity Trust Bank Plc | 7 |
| CL Bank Nederland | 7 | Hongkong & Shanghai | 7 | Western Trust | 7 |
| Citibank NA | 7 | Julian Hodge Bank | 7 | Whiteaway Laidlaw | 7 |
| City Merchants Bank | 8 | ● Leopold Joseph & Sons | 7 | Yorkshire Bank | 7 |
| Clydesdale Bank | 7 | Lloyds Bank | 7 | | |
| Co-operative Bank | 7 | Meghraj Bank Ltd | 7 | | |
| Coutts & Co | 7 | | | | |

● Members of British Merchant Banking & Securities Houses Association.

JOTTER PAD

## CROSSWORD

No.8,007 Set by GRIFFIN



**ACROSS**

1 Greeting head waiter with reverence .... (6)
4 .... when next in some Greek place (6)
8 Disputed box colour (7)
9 Sack member with weapon (7)
11 Eccentric has cats – Tim finds they have breathing problems (10)
12 I dropped him back so rings resistance units (4)
13 One after fish bones (5)
14 Cautiously relying on changing £1,000 first (8)
16 Peer or nose curiously inside public houses (8)
18 Doctor could forget firm's form (5)
20 Map seen inside an arched recess (4)
21 Inexperienced with zips they damage bloomers! (10)
23 Cut on US soldier's back getting inflamed (7)
24 Odd way to row (7)
25 Oriental flower festival (6)
26 Team turned back on reaching inventor (6)

**DOWN**

1 Trusts man's work is enclosed (5)
2 Nomadic ruler holding companion's dog (7)
3 "Evita" salesman ought to stand when working (9)
5 Excursions requiring courage I omitted to raise! (5)
6 Said I saw an ugly sight (7)
7 Left in bed get out before you get all mixed up! (9)
10 Sickened by second blow became stiff externally (9)
13 With cold meat take Peg an unusual drink (9)
15 Named famous man I crashed into (9)
17 On rising sure to include nothing oppressive (7)
19 Discharges American lad on moving in (7)
21 After middle age beer's bad for diver (5)
22 Topless Belgian forgetting a name for marbles (5)

**Solution to Puzzle No.8,006**

```
WINDPIPE HARDUP
A O E A   R O E
PARADISE CRAVAT
I M A S S E E U
TRAIL ANCESTRAL
I L   G U T   A
 FIDDLE MOISTEN
S E E   N E T
CLEAVER BOGGLE
R   A E U   E S
ACCESSION MAPLE
M O T N G U H E
BOMBAY FLATWORM
L E T   E N L
ENTREE DRUDGERY
```

كافة | صا | [illegible]

# WORLD STOCK MARKETS

AUSTRIA

FRANCE (continued)

GERMANY (continued)

NETHERLANDS (continued)

SWEDEN (continued)

BELGIUM/LUXEMBOURG

SWITZERLAND

DENMARK

NORWAY

FINLAND

ITALY

SPAIN

FRANCE

GERMANY

SOUTH AFRICA

NETHERLANDS

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

## CANADA

TORONTO

3:15 pm November 18

MONTREAL

3:15 pm November 18

## INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

## TOKYO - Most Active Stocks

Wednesday, November 18, 1992

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Green Cross | 9.2m | 1,410 | +40 | Sumitomo Bank | 4.0m | 1,710 | +70 |
| Mitsui Metal | 8.8m | 481 | +42 | Nippon Jutaki | 3.7m | 250 | -47 |
| Toshiba Corp | 6.1m | 617 | +19 | Mitsubishi Hy | 3.2m | 619 | +25 |
| Nippon Steel | 5.0m | 288 | +17 | Canon Inc | 3.2m | 1,320 | +40 |
| SS Pharm | 4.2m | 1,090 | +100 | Matsushita Elec | 3.1m | 1,080 | +40 |

*3:15 pm November 18*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1992 High | 1992 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 15⅞ | 11 | AAR Corp | 0.48 | 4.1 | 19 | 160 | 11⅞ | 11½ | 11¾ | +⅛ |
| 28½ | 18 | A L Labs A | 0.18 | 0.9 | 130 | 1317 | 21⅞ | 20⅝ | 20⅞ | -⅞ |
| 59¾ | 52⅝ | AMP Inc | 1.62 | 2.7 | 20 | 6940 | 56⅛ | 55⅝ | 56⅛ | +⅜ |
| 80¼ | 54¾ | AMR | | | 12 | 3982 | 63 | 61¼ | 62¼ | +⅝ |
| 2⅜ | 1⅛ | ARX | | | 12 | 17 | 1⅞ | 1⅞ | 1⅞ | |
| 53½ | 30¾ | ASA x | 2.00 | 6.3 | 20 | 171 | 31⅞ | 31½ | 31½ | -⅛ |
| 34¼ | 28½ | Abbott Lab | 0.60 | 1.9 | 22 | [illegible] | 31½ | 30¾ | 31⅛ | +½ |
| 13⅞ | 10½ | Abitibi Pr | 0.40 | 3.8 | 5 | 6 | 10⅝ | 10⅝ | 10⅝ | |
| 11⅝ | 10⅛ | ACM Gvt In x | 1.01 | 9.3 | | 169 | 11 | 10⅞ | 10⅞ | -⅛ |
| 10⅜ | 9⅛ | ACM GvOpp x | 0.87 | 9.3 | | 157 | 9⅜ | 9¼ | 9⅜ | |
| 9¼ | 8½ | ACM Gvt Sp | 0.78 | 8.9 | | 322 | 9 | 8⅞ | 8⅞ | |
| 11⅞ | 10⅛ | ACM Gvt Se | 0.96 | 8.9 | | 278 | 10¾ | 10⅝ | 10¾ | +⅛ |
| 10⅝ | 8⅞ | ACM Man x | 1.00 | 10.0 | | 81 | 10 | 9⅞ | 10 | |
| 12⅞ | 9 | ACM Mmgs x | 1.09 | 11.6 | | 398 | 9⅞ | 9¼ | 9⅜ | +⅛ |
| 11¾ | 4¾ | Acme Clevo | 0.40 | 5.2 | 16 | 54 | 7⅞ | 7½ | 7¾ | +⅛ |
| 6¼ | 3¼ | Acme Elect | | | 87 | 2 | 4¼ | 4¼ | 4¼ | |
| 33¼ | 14⅝ | Acuson | | | 12 | 780 | 16½ | 16¼ | 16⅜ | +⅛ |
| 21 | 18⅛ | Adams Expr | 1.62 | 8.2 | 1 | 116 | 20 | 19½ | 19¾ | -¼ |
| 49⅛ | 29¼ | Ad Micro | 3.00 | 7.0 | | 250 | 42¾ | 42¼ | 42⅝ | +⅛ |
| 21½ | 7½ | Ad Micro P | 3.00 | 18.6 | | [illegible] | 16⅛ | 16 | 16⅛ | |
| 9⅛ | 4⅞ | Advest Grp | 0.16 | 2.8 | 11 | 11 | 5⅞ | 5¾ | 5¾ | |
| 42¼ | 33 | Aegon ADR | 1.35 | 3.3 | 7 | 135 | 41⅛ | 41⅛ | 41⅛ | +⅛ |
| 47 | 38 | Aetna Lf | 2.76 | 6.3 | 12 | 881 | 43¾ | 43⅛ | 43½ | -⅛ |
| 12¾ | 6⅞ | AHI A x | 0.24 | 2.2 | 15 | 1428 | 11½ | 11 | 11⅛ | -⅛ |
| 34 | 24 | Aflac x | 0.44 | 1.5 | 13 | 2158 | 29⅞ | 29⅛ | 29⅝ | +½ |
| 19⅞ | 13 | Ahmanson x | 0.88 | 5.8 | 7 | 832 | 15⅜ | 15⅛ | 15¼ | |
| 22½ | 4 | Aileen Inc | | | 12 | 2030 | 7⅛ | 6½ | 7 | +¼ |
| 49½ | 36½ | Air Pr Chm | 0.88 | 1.9 | 18 | 2330 | 46⅛ | 45⅞ | 45⅞ | -⅛ |
| 29¾ | 12½ | Airbus Frt x | 0.30 | 1.7 | 99 | 103 | 18 | 17⅞ | 17⅞ | -⅛ |
| 40¼ | 22⅝ | Airgas Inc | | | 30 | 124 | 39⅛ | 38¾ | 39 | +⅛ |
| [illegible] | | | | | | | | | | |

Continued on next page

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هكذا من الأصل

# NYSE COMPOSITE PRICES

Continued from previous page

Prices data supplied by Telekurs.

# NASDAQ NATIONAL MARKET

3 pm November 18

# AMEX COMPOSITE PRICES

3:15 pm November 18

AMERICA

# Dow bounces back on improved trade data

## Wall Street

AFTER two days of losses, US stock markets bounced back into positive territory yesterday morning on the heels of a big rally in Tokyo and improved trade figures, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 15.67 at 3,208.99, near its highs for the session. The more broadly based Standard & Poor's 500 was also firmer at the halfway stage, up 3.33 at 422.60, while the Amex composite edged 0.03 to 384.32. The Nasdaq composite, which had been hit by heavy profit-taking earlier in the week, recovered with a gain of 4.63 to 631.70. NYSE turnover was heavy at 128m shares by 1 pm, and rises outpaced declines by 996 to 620.

Analysts were not surprised when the market opened firmer. The selling of Monday and Tuesday had lacked real conviction, prices were due for a modest upward correction and sentiment was buoyed by a strong overnight performance from Japanese equities.

Investors were also cheered by the news that the trade deficit in September had narrowed to $8.3bn from $9bn in August. The market had been expecting a larger trade gap, but economists warned that the record level of merchandise exports in September – which was behind the drop in the deficit – was not sustainable because of weakening overseas economies.

Among individual stocks, Hewlett-Packard rose $2⅞ to $57⅞ in turnover of almost 3m shares in spite of news that the computer group earned 28 cents a share in its fiscal fourth quarter in the wake of a 36 cents a share restructuring charge. The earnings were below forecasts and analysts were at a loss to explain the stock's rise, although the heavy selling of the shares earlier in the week may have persuaded some investors they had become a bargain buy.

Ford eased $¼ to $39⅞ in turnover of ¾m shares after the securities house, Warburg, widened its fourth-quarter loss estimate from 20 cents a share to 50 cents a share, primarily because of problems with European markets.

Davstar Industries fell $⅝ to $5 on the American Stock Exchange on reports that a stockholder is suing the company and five executive officers, alleging that Davstar issued false statements about earnings prospects and distribution contracts.

On the Nasdaq market, leading technology stocks began to recoup some of the losses incurred in recent days. Apple put on $2 at $57⅛, Microsoft firmed $1⅛ to $81⅛ and Borland International clawed back $⅝ at $25⅛ and Sun Microsystems rose $1 to $32⅛.

## Canada

TORONTO stocks were firmer at midday, bolstered by gains on Wall Street, a rise in the TSE's communications and media sector and a recovery in bank shares.

The TSE 300 composite index rose 4.29 to 3,222.81 in volume of 21m shares. Decliners led those advancing by 329 to 210 with 241 unchanged.

Thomson Corp rose C$⅛ to C$14⅛, Toronto-Dominion Bank added C$⅛ to C$17⅛ and Canadian Pacific firmed C$⅛ to C$13⅛. Inco dropped C$⅛ to C$24⅛.

# Bangkok falls as deflation takes effect

Thai equities have responded to a move against a market player, writes **Victor Mallet**

Bangkok's SET index fell 6.4 per cent to an intraday low of 834.35 yesterday after the Securities and Exchange Commission (SEC) announced that it had filed a case with the police against Mr Song Watcharasriroj, a well-known market player better known as Sia Song, and his associates for manipulating stock prices.

The index recovered in the closing minutes to end down 23.45 at 868.04 after the finance ministry said it had set up a Bt5bn fund to shore up the market. But the move against Mr Song was the culmination of a process over the past two weeks in which Thailand's financial authorities have been deflating, gently, what they feared was an emerging and potentially dangerous stock market bubble.

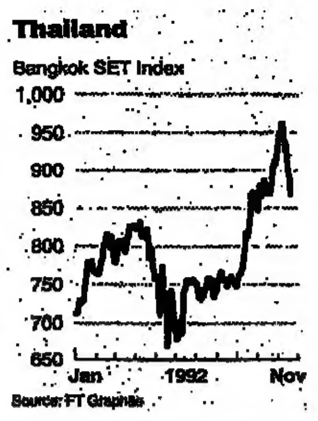
The Stock Exchange of Thailand (SET) index and market turnover had soared since a new coalition government was formed in September.

Not all the activity, however, has been attributed to the return of political stability and the renewed confidence of investors. The authorities have been alarmed by what they see as wildly speculative buying of certain stocks and a sharp increase in loans extended by stockbrokers to their clients.

Last week, amid mounting criticism of the apparently feeble attempts of the SET and the six-month-old SEC to regulate the market, the Bank of Thailand and the finance ministry stepped in. The Bank named 22 brokers with outstanding loans to clients of more than Bt1bn ($39.4m) and urged them to restrict credit.

The brokers had little choice but to comply, and the market responded quickly to the new austerity. Trading volume – at times second only to Tokyo among Asian bourses – has fallen back, and the SET index has dropped from its November 5 peak of 963.03.

SET officials say there was no hard evidence that stockbrokers had violated overall guidelines on credit extension, but they were concerned about



very high activity in particular stocks. By September, brokers had outstanding loans of Bt62.66bn to their clients – three times as much as a year earlier – with CMIC alone accounting for around Bt10bn. Speculators also have access to money from banks in the form of personal loans.

"There is excessive speculation in the market," says Mr Seri Chintanaseri, SET president. "This speculation would never have occurred if there was no expansion of credit."

Mr Asavin Chintakananda, Mr Seri's deputy, says: "We are trying to allow some steam out of the bubble before it becomes a bubble. I think we have the matter well in hand."

The twin issues of market regulation and credit extension to speculators became particularly controversial when Mr Song took large stakes in Bangkok Bank of Commerce (BBC) and in Mutual Fund Co. The SEC ordered the suspension of BBC shares yesterday.

Mr Song, who takes his business to several brokerages, including CMIC, was reported to have bought up to 30 per cent of BBC in collaboration with several associates. He made no offer for the rest of the company, although he ought to have done so if he did indeed control more than 25 per cent.

The SET says that it has passed 11 cases of possible stock manipulation to the SEC for investigation since the Commission was established in May, but so far none has come to court and it is not clear which companies other than BBC are being investigated.

The SEC, under fire because some of its members have potential conflicts of interest (one has been advising the chairman of BBC and another is head of a brokerage firm), has pleaded for more time.

"It's not that simple," says Mr Ekamol Kiriwat, SEC secretary-general. "How long did it take for [Michael] Milken to be in trouble?"

The confusion at the SET and the SEC seems to have prompted the central bank and the finance ministry to adopt a two-track policy to steady the market.

On the one hand they are seeking to curb the speculators, and on the other they are announcing as loudly as possible that the market is fundamentally strong and accurately reflects the dynamism of an economy growing at 7 or 8 per cent a year. So far, the tactic seems to be working.

ASIA PACIFIC

# Nikkei recovery flawed by lack of investors

## Tokyo

THE Nikkei average climbed 4.9 per cent in active trading on rumours that financial authorities were putting pressure on public fund managers to inject funds into the stock market, *writes Emiko Terazono in Tokyo.*

The Nikkei closed 785.36 higher at 16,778.84, after a high of 16,851.45 in the last minutes of trading. Having opened at the day's low of 16,011.33, it was led higher by banking shares in the morning.

Volume rose to 350m shares from 194m. A total of 240m shares changed hands in the afternoon, bolstered by buying by public funds, arbitrageurs and investment trusts. Advances overwhelmed declines by 948 to 79 with 67 unchanged. All sectors gained ground and the Topix index of all first section stocks rose 49.88 to 1,271.21. In London, the ISE/Nikkei 50 index eased 0.44 to 1,023.70.

The early buying fanned rumours that the ministry of finance had asked postal savings and public pension funds to commit funds to the stock market. While many market participants remained on the sidelines, investors who had sold short rushed to buy to cover their positions.

Speculation that an agreement between the ruling Liberal Democratic Party and opposition parties would be struck also helped sentiment to improve.

But traders noted that the underlying economic factors had not changed and said there was little genuine buying by investors. Mr Chris Newton at James Capel said: "The rally was technical, mainly driven by heavy short-covering."

Public funds bought the electronics sector, which had been falling on earnings concerns. NEC rose Y32 to Y640, while Fujitsu gained Y24 to Y526.

Bank shares, which had fallen on rumours of short-selling, also advanced. Industrial Bank of Japan added Y150 to Y3,380 and Mitsubishi Bank gained Y160 to Y2,190. Nippon Housing Loan, the troubled non-bank financial institution, rose Y47 to Y250.

Dealers came back to trade speculative theme stocks. Green Cross, the most active issue of the day, rose Y40 to Y1,410, while SS Pharmaceutical gained Y100 to Y1,090.

In Osaka, the OSE average put on 614.35 to 18,082.07 in volume of 28.8m shares. Nintendo, the video game maker, gained Y340 to Y10,100. The company is likely to become the third largest earner among listed Japanese manufacturing companies this fiscal year, as its parent pre-tax profit is expected to surpass that of Matsushita Electronic Industrial.

## Roundup

THE REGION was active and volatile in several markets, mainly on political rumours and concerns.

HONG KONG nosedived 3.9 per cent on worries over Chinese criticism of governor Chris Patten's proposed democratic reforms. The Hang Seng index closed 240.19 lower at the day's low of 5,848.33 in turnover up from HK$3.76bn to a busy HK$4.14bn.

There was a burst of selling by overseas institutions in late trading. Leading blue chips saw profit-taking, with HSBC Holdings tumbling HK$2.50 to HK$60 and Cheung Kong HK$1 to HK$20.90.

BOMBAY fell to a low for the 1992/93 financial year (April/March) as trading resumed after a four-day gap. The market was closed on Monday for settlement, and on Tuesday brokers boycotted trading in protest against registration fees imposed by Sebi, the new regulatory agency.

The BSE index fell to 2,501.77 before recovering some ground to finish at 2,524.71, still down 61.97 from last Friday's close. Brokers blamed poor first-half company results, and the availability of several new equity and debenture issues on attractive terms.

AUSTRALIA rose for the second consecutive day in its bounce from a 21-month low, the All Ordinaries index closing 10.1 higher at 1,375.1 in light turnover of A$166.3m.

ANZ rose 10 cents to A$2.63 after reporting a A$579m loss on Tuesday when it closed unchanged. Brokers said that today will be dominated by Westpac and National Australia results. Both gained 2 cents with Westpac closing at A$2.62 and NAB at A$6.90.

NEW ZEALAND registered its highest close for seven weeks as strength in market leaders, particularly in Telecom and Carter Holt Harvey, took the NZSE-40 index up 15.94 to 1,434.91 in healthy turnover of NZ$25m. Telecom and CHH each rose 5 cents to $2.42 and $2.69 respectively.

TAIWAN rose 2.1 per cent and saw its most active trading this month on rumours of overt government support for the market. Turnover more than doubled from T$5.4bn to T$11.5bn as the weighted index closed 76.39 higher at 3,660.10. The financial sector led with a gain of 3.6 per cent.

SEOUL dropped on a government move to force Daewoo to merge two of its subsidiaries, and following the suicide last Sunday of a branch manager at a major bank. The composite index fell 10.17 to 621.25.

MANILA slipped as electric power outages lasting seven hours hit local industries and spread gloom in the market. The composite index closed 9.07 lower at 1,315.16.

SINGAPORE was led lower by key blue chips as investors continued to consolidate their positions after the recent gains. The Straits Times Industrial index fell 10.72 to 1,422.93 in volume of 87.05m shares against 111.18m.

EUROPE

# Continent eases in spite of cuts in interest rates

THE trend on the Continent was weak yesterday in spite of interest rate cuts in the Netherlands and Belgium, *writes Our Markets Staff.* Frankfurt was on holiday.

PARIS fell on renewed worries about a trade war between Europe and the US. Sentiment was also harmed by the latest survey of business leaders by the Bank of France which showed that industrial output and consumer demand continued to weaken in October and that the investment outlook remained sluggish. The CAC 40 index ended 5.27 lower at 1,759.17 as turnover remained steady at FFr1.76bn.

Some stocks bucked the weaker trend. Lyonnaise-Dumez went as high as FFr506 before closing FFr13 better at FFr506 in heavy trading of 129,325 shares after news that a consortium it leads had won a 25-year license to supply Sydney, Australia with drinking water. Peugeot jumped FFr9 to FFr523 after a leading domestic broker recommended buying the stock.

MILAN started to consolidate its recent gains, but some stocks were still bought for speculative reasons. The Comit index fell 4.91 to 476.39 as turnover eased to an estimated L300bn from Tuesday's L389bn.

Rinascente, part of the Fiat group, rose as high as L9,000 before closing down L70 on reports that Mr Silvio Berlusconi, the owner of the Standa retail chain, was considering making an offer for Rinascente.

Privatisation hopes lifted Italy's national carrier Alitalia by L263 or 35.2 per cent to L1,010 from Friday. Shares in Buton, a brandy and spirits producer, added L420 or 12.7 per cent to L3,720 on Tuesday's news that Grand Metropolitan of the UK had bought a 34 per cent stake in it.

ZURICH saw an early drop of 20 points in the SMI index, still unhappy after the poll suggesting that the December 6 referendum would vote against membership of the European Economic Area. However, it then staged a technical rebound and the SMI closed 6.7 lower at 1,882.8.

Banks stayed under pressure with UBS bearers, SFr5 lower at SFr794, topping the active list and CS Holding shedding another SFr30 to SFr1,885. But chemicals staged a strong recovery to close almost at yesterday's level, Roche certificates ending steady at SFr3,800.

MADRID extended its rally on an influx of foreign buying, the general index rising 5.27, or 2.5 per cent to 212.04 in heavy turnover of Pta31.2bn, up from Pta23.2bn on Tuesday.

Five or six blue chips accounted for as much as 40 to 50 per cent of total trade according to one domestic broker.The Ibex-35, an index of the 35 largest stocks, closed 74.41, or 3.3 per cent higher at 2,306.98.

Telefonica moved around 6m shares as it rose Pta70 to Pta1,125 and Repsol put on Pta75 to Pta2,740, both after results this week. Endesa rose Pta85 to Pta3,555.

STOCKHOLM advanced in heavy trading as strong demand for Astra made up for dull trading in other issues. The Affärsvärlden general index rose 1.3 to 724.9 in turnover of SKr686m after SKr708m.

Astra rose SKr14 to SKr616 on persistent rumours that the investment group, Investor, intended to sell its holdings in the pharmaceutical company.

The tool maker, Sandvik, dropped SKr16 or 5 per cent to SKr325 after its nine-month results disappointed the market. The company's gloomy trading forecast prompted James Capel to lower its 1992 and 1993 EPS forecasts to SKr20 and SKr15 respectively from SKr24 and SKr17 previously.

COPENHAGEN subsided as a political storm over budget irregularities threatened to unseat the economy and tax minister and possibly spark premature elections. The KFX index fell 1.06 to 78.41.

AMSTERDAM ignored the upward trend in London and a cut in the central bank's special advances money market rate. The CBS Tendency index closed 0.5 to 104.0. Elsevier fell Fl 2.10 to Fl 112.90 after comments by the chairman that that 15 per cent annual profit growth could not be relied upon in future.

## SOUTH AFRICA

JOHANNESBURG came off earlier highs towards the close as traders squared positions. The all-share index finished 18 higher at 3,052 and the industrial index rose 13 to 4,091, but off an earlier 4,099 high. The gold index added 15 to 776.

### FT-SE Actuaries Share Indices

November 18 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1051.94 | 1053.01 | 1052.64 | 1051.83 | 1051.01 | 1051.37 | 1050.87 | 1051.36 |
| FT-SE Eurotrack 200 | 1105.27 | 1106.85 | 1106.04 | 1105.51 | 1105.04 | 1105.32 | 1106.41 | 1106.59 |

| | Nov 17 | Nov 16 | Nov 13 | Nov 12 | Nov 11 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1056.32 | 1058.27 | 1059.26 | 1059.91 | 1045.16† |
| FT-SE Eurotrack 200 | 1109.66 | 1110.19 | 1114.93 | 1120.89 | 1108.98† |

Base value 1000 (26/10/90) High/day: 100 - 1053.29; 200 - 1108.01 Low/day: 100 - 1048.51 200 - 1103.53 †Partial

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | TUESDAY NOVEMBER 17 1992 | | | | | | | | MONDAY NOVEMBER 16 1992 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1992 High | 1992 Low | Year ago (approx) |
| Australia (68) | 108.41 | +0.2 | 105.74 | 85.32 | 90.07 | 105.20 | +0.8 | 4.62 | 108.18 | 105.56 | 85.34 | 89.43 | 104.41 | 153.68 | 108.18 | 157.35 |
| Austria (19) | 139.44 | −0.1 | 136.01 | 109.74 | 115.85 | 116.12 | +0.8 | 2.43 | 139.51 | 136.12 | 110.06 | 115.33 | 115.22 | 186.70 | 138.51 | 173.87 |
| Belgium (42) | 135 14 | −0.3 | 131.81 | 106.35 | 112.27 | 109.65 | +0.3 | 5.62 | 135.53 | 132.24 | 106.91 | 112.04 | 109.30 | 152.27 | 134.41 | 137.05 |
| Canada (114) | 111.36 | −1.0 | 108.62 | 87.63 | 92.51 | 102.81 | −0.6 | 3.37 | 112.52 | 109.79 | 88.76 | 93.01 | 103.48 | 142.12 | 111.36 | 140.92 |
| Denmark (34) | 200.46 | +0.4 | 195.52 | 157.76 | 166.54 | 166.92 | +0.9 | 1.64 | 199.65 | 194.80 | 157.50 | 165.03 | 165.36 | 273.94 | 184.18 | 263.03 |
| Finland (15) | 66.89 | −0.5 | 65.24 | 52.64 | 55.57 | 71.73 | +0.7 | 1.97 | 67.25 | 65.61 | 53.05 | 55.59 | 71.20 | 89.80 | 52.84 | 83.65 |
| France (99) | 144.87 | −0.7 | 141.31 | 114.01 | 120.35 | 122.32 | −0.3 | 3.69 | 145.87 | 142.33 | 115.07 | 120.57 | 122.64 | 168.75 | 144.70 | 142.67 |
| Germany (64) | 105.84 | −0.5 | 103.23 | 83.30 | 87.93 | 87.93 | +0.0 | 2.62 | 106.40 | 103.82 | 83.95 | 87.96 | 87.96 | 129.69 | 102.51 | 114.07 |
| Hong Kong (53) | 247.39 | −3.2 | 241.30 | 194.69 | 205.54 | 245.66 | −3.1 | 3.66 | 255.52 | 249.32 | 201.57 | 211.23 | 253.64 | 262.26 | 176.36 | 176.14 |
| Ireland (16) | 122 98 | −1.2 | 119.95 | 96.78 | 102.17 | 104.70 | −0.6 | 5.24 | 124.53 | 121.50 | 98.24 | 102.94 | 105.29 | 173.71 | 122.98 | 162.78 |
| Italy (77) | 62.60 | +1.0 | 61.06 | 49.26 | 52.01 | 63.72 | +1.5 | 3.28 | 61.98 | 60.48 | 48.90 | 51.24 | 62.77 | 80.86 | 47.47 | 72.24 |
| Japan (472) | 98.23 | −0.7 | 95.81 | 77.30 | 81.62 | 77.30 | −1.0 | 1.09 | 98.95 | 96.55 | 78.06 | 81.81 | 78.06 | 140.95 | 87.27 | 134.61 |
| Malaysia (69) | 276.66 | −0.5 | 269.85 | 217.71 | 229.84 | 269.09 | −0.4 | 2.43 | 278.13 | 271.37 | 219.40 | 229.90 | 270.20 | 282.42 | 212.49 | 204.96 |
| Mexico (18) | 1477.27 | −1.2 | 1440.91 | 1162.59 | 1227.31 | 5035.30 | −1.1 | 1.19 | 1495.40 | 1459.06 | 1179.69 | 1236.16 | 5093.00 | 1789.77 | 1185.84 | 1352.81 |
| Netherland (25) | 150.23 | −0.6 | 146.53 | 118.22 | 124.81 | 123.25 | −0.1 | 4.60 | 151.13 | 147.46 | 119.22 | 124.93 | 123.33 | 169.70 | 147.88 | 146.42 |
| New Zealand (13) | 38.77 | +0.0 | 37.82 | 30.52 | 32.22 | 39.80 | +0.7 | 5.70 | 38.76 | 37.82 | 30.58 | 32.04 | 39.54 | 48.52 | 37.39 | 47.97 |
| Norway (22) | 129 64 | −0.6 | 126.45 | 102.03 | 107 71 | 114.55 | +0.1 | 2.11 | 130.39 | 127.22 | 102.86 | 107.78 | 114.41 | 192.95 | 129.64 | 173.29 |
| Singapore (38) | 197.46 | +1.0 | 192.60 | 155.40 | 164.05 | 149.01 | +1.1 | 2.21 | 195.49 | 190.74 | 154.22 | 161.59 | 147.38 | 229.63 | 179.65 | 206.22 |
| South Africa (60) | 140.47 | −1.8 | 137.01 | 110.54 | 116.70 | 145.88 | −0.4 | 3.52 | 143.03 | 139.55 | 112.83 | 118.23 | 146.26 | 263.60 | 139.37 | 263.74 |
| Spain (48) | 111.25 | +1.1 | 108.51 | 87.55 | 92.43 | 96.71 | +1.9 | 6.21 | 110.01 | 107.34 | 86.79 | 90.94 | 94.88 | 161.72 | 107.10 | 148.36 |
| Sweden (31) | 154.91 | −1.3 | 151.10 | 121.92 | 128.70 | 138.23 | −0.6 | 2.84 | 156.98 | 153.15 | 123.83 | 129.76 | 139.07 | 200.28 | 149.69 | 172.51 |
| Switzerland (60) | 103.15 | −2.3 | 100.61 | 81.18 | 85.71 | 92.92 | −1.3 | 2.30 | 105.61 | 103.05 | 83.32 | 87.32 | 94.12 | 122.37 | 95.99 | 97.63 |
| United Kingdom (228) | 161.97 | +0.1 | 157.98 | 127.45 | 134.55 | 157.98 | +0.0 | 4.64 | 161.86 | 157.93 | 127.68 | 133.79 | 157.93 | 200.07 | 161.86 | 177.23 |
| USA (522) | 171.49 | −0.3 | 167.27 | 134.97 | 142.48 | 171.49 | −0.3 | 2.96 | 172.07 | 167.89 | 135.75 | 142.25 | 172.07 | 173.39 | 160.92 | 154.27 |
| Europe (750) | 131.97 | −0.3 | 128.72 | 103.86 | 109.64 | 119.07 | +0.0 | 3.95 | 132.39 | 129.17 | 104.44 | 109.44 | 119.04 | 156.88 | 131.85 | 141.70 |
| Nordic (102) | 144.86 | −0.7 | 141.29 | 114.00 | 120.35 | 121.79 | +0.0 | 2.39 | 145.89 | 142.35 | 115.09 | 120.60 | 121.86 | 188.52 | 141.24 | 178.70 |
| Pacific Basin (713) | 103.47 | −0.8 | 100.93 | 81.43 | 85.97 | 83.10 | −1.0 | 1.45 | 104.32 | 101.79 | 82.30 | 86.24 | 83.93 | 141.97 | 93.70 | 136.14 |
| Euro – Pacific (1493) | 115.00 | −0.6 | 112.17 | 90.50 | 95.54 | 97.46 | −0.5 | 2.61 | 115.68 | 112.87 | 91.25 | 95.62 | 97.97 | 145.21 | 113.80 | 138.69 |
| North America (636) | 167.76 | −0.4 | 163.63 | 132.04 | 139.40 | 166.83 | −0.3 | 2.98 | 168.38 | 164.29 | 132.84 | 139.21 | 167.42 | 170.49 | 158.70 | 153.35 |
| Europe Ex UK (552) | 113.59 | −0.6 | 110.79 | 89.41 | 94.39 | 97.73 | +0.0 | 3.46 | 114.25 | 111.48 | 90.15 | 94.47 | 97.71 | 132.98 | 112.24 | 120.37 |
| Pacific Ex Japan (241) | 155.02 | −1.3 | 151.20 | 122.01 | 128.80 | 142.88 | −1.1 | 3.71 | 157.07 | 153.25 | 123.93 | 129.85 | 144.44 | 175.31 | 149.00 | 151.18 |
| World Ex. US (1685) | 115.99 | −0.6 | 113.13 | 91.29 | 96.36 | 99.37 | −0.5 | 2.63 | 116.71 | 113.88 | 92.08 | 96.48 | 99.90 | 146.91 | 115.99 | 140.65 |
| World Ex. UK (1979) | 131.11 | −0.6 | 127.89 | 103.19 | 108.94 | 117.93 | −0.5 | 2.56 | 131.86 | 128.66 | 104.03 | 109.01 | 118.53 | 150.58 | 127.21 | 141.19 |
| World Ex. So Af. (2147) | 133.86 | −0.5 | 130.57 | 105.36 | 111.22 | 121.21 | −0.4 | 2.77 | 134.52 | 131.25 | 106.13 | 111.21 | 121.75 | 153.05 | 130.04 | 143.52 |
| World Ex. Japan (1735) | 153.80 | −0.4 | 150.02 | 121.05 | 127.80 | 147.30 | −0.3 | 3.33 | 154.45 | 150.70 | 121.86 | 127.70 | 147.70 | 165.40 | 151.93 | 150.85 |
| The World Index (2207) | 133.80 | −0.5 | 130.50 | 105.30 | 111.16 | 121.47 | −0.4 | 2.78 | 134.47 | 131.20 | 106.08 | 111.16 | 122.02 | 153.70 | 130.66 | 144.33 |

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